

**People's Republic of China**  
**Data Collection Survey on Poverty**  
**Reduction in China**  
**Final Report**

May, 2018

Japan International Cooperation Agency (JICA)

Agricultural Information Institute (AII) of Chinese  
Academy of Agricultural Sciences (CAAS)

CN
JR
18-002

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# **1. Introduction**

## **1.1. Background**

China has made a remarkable achievement in poverty reduction in the past four decades. In 2015, an ambitious plan was made by the central government of China to lift all the remaining poor in rural areas under the current poverty line (rural per capita net income of 2,300 RMB at 2010 prices) out of poverty by 2020. To achieve this goal, more resources, including public funds, personnel, and social and political inputs, are and will be mobilized to fight against poverty. *The 13th Five Year Plan on Poverty Alleviation* provides guideline for anti-poverty programs and actions. During the period from 2016-2020, poverty will be alleviated through multiple approaches including industrial development, creation of employment opportunities, migration, education, health service, environmental protection and other social mobilization. Particularly, poverty alleviation through industrial development is expected to lift about 50 percent of the rural poor out of poverty. The approach is similar to the “Bottom of Pyramid” (BOP) business model advocated by the international community, which views the cooperation among poor people, social organizations, governments, and large corporations as a fundamental way to explore the largest and the fastest-growing market worldwide, and to reduce poverty effectively (Prahalad & Hart, 2002). In addition to the practices in agriculture, there are also BOP business examples in rural livelihoods including energy, housing, transportation, communications, medical care, and financing. Along with the social and economic transformation, there is rising demand for innovative BOP business models. The Chinese government encourages multi-stakeholders (including government agencies, state-owned enterprises, the private sector, social and civil organizations and individuals) to participate in poverty alleviation through pair-wise aid mechanism. While anti-poverty approaches prove successful back at home, China becomes increasingly involved in poverty reduction internationally. Since its first foreign assistance in 1950s, China has explored various approaches and is on the way of developing an integrated international poverty assistance strategy.

## **1.2. Objectives**

This report aims to better understand the status and challenges of poverty in China and to identify ways and key areas for the possible JICA engagement in China. There are five specific objectives:

- i. Analyzing the current status and nature of poverty in China;
- ii. Identifying the challenges and policy gaps for poverty reduction in China;
- iii. Comparing poverty reduction through industrial development with the BOP business approaches and identifying successful corresponding models;

- iv. Analyzing China's approaches and challenges in international aid for poverty alleviation; and
- v. Providing recommendations on how JICA can support implementation of China's poverty alleviation strategy and share the experience to the world.

### **1.3. Methods**

To achieve the above objectives, a team of three experts plus 8 supporting staff from the three leading research institutes including the Agricultural Information Institute of Chinese Academy of Agricultural Sciences, the International Food Policy Research Institute, and the Anti-poverty Research Center at Renmin University of China, was formed. A number of methods are applied to generate needed information. First, the team reviewed the evolution of various anti-poverty policies as well as a large volume of research papers and reports in China. Second, data were collected from various sources and statistical analysis was applied to track and map poverty status, distribution, and characteristics. Third, a number of consultations with key policy makers and experts were conducted through face-to-face interviews or meetings. In particular, experts from the advisory committee of the State Council Leading Group Office of Poverty Alleviation and Development (CPAD), the China Foundation for Poverty Alleviation, Central Enterprises Poverty Alleviation Fund, the International Poverty Reduction Center in China (IPRCC), and the Ford Foundation shared their research at the project inception workshop and helped fine-tune the research design and methodology. The team interviewed policy makers at CPAD, the Ministry of Commerce (MoC), the Ministry of Finance (MoF), and the Ministry of Agriculture (MoA), as well as experts at the Chinese Academy of Social Sciences (CASS) and China Agricultural University. Fourth, three field missions were made in the provinces of Ningxia, Sichuan, and Guizhou that provided opportunities for the team members to reach out to poverty alleviation agencies at the province, county, township, village and household level, and to communicate with local officials, companies, cooperatives, and farmers.

Three separate background reports were then prepared in Chinese which are listed below:

- i. Background paper I "Poverty Status, Policies and lessons in China", by Dr. Kevin Chen, Zimei Wang, Jieying Bi and Huaqi Zhang.
- ii. Background paper II "Poverty Alleviation through Industrial Development and BOP business models", by Dr. Sangui Wang, Haodong Yin, Jing Ning, Zixi Feng, Jing Li, Zihui Guan.
- iii. Background paper III "Practice and Experience of China's International Poverty Assistance", by Dr. Jieying Bi, Dr. Kevin Chen and Xuejing Yin.

These reports formed as a base for this final synthesis report in English. Moreover, major findings regarding the BOP business model and poverty alleviation through industrial development were shared with Japanese and Chinese companies in a seminar that was

organized in April, 2018. Feedback from these companies were used to improve the final report.

## 2. Poverty Status and Policies in China

### 2.1. Poverty Status and Trends in China

Using the current poverty line (rural per capita net income of 2,300 RMB at 2010 prices), rural poor population in China was at 770 million, accounting for 97.5% of the total rural population in 1978. By the end of 2017, the number of rural poor people was 31 million, with a poverty incidence of 3.1%. From 1978 to 2017, the rural poor population in China decreased by about 740 million, while poverty incidence fell by 94 percentage points.

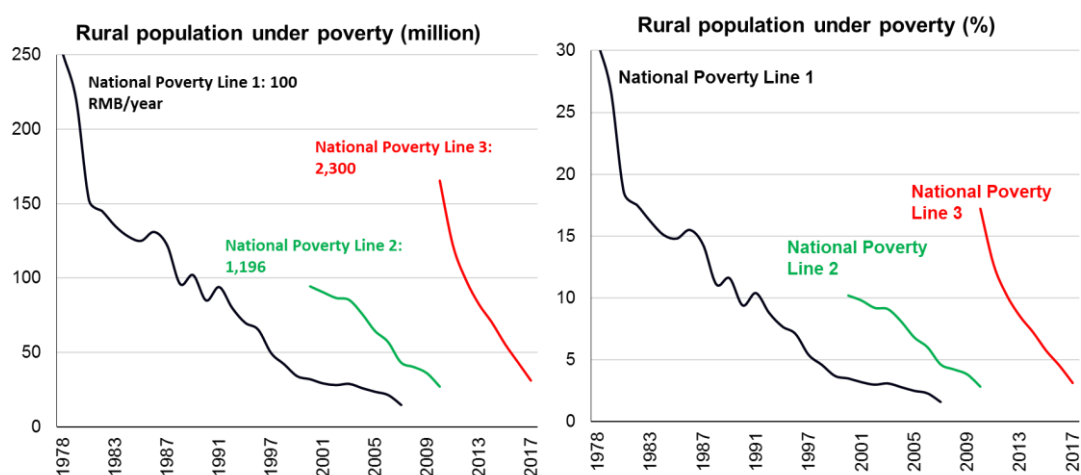


Figure 1. Rural Poor Population and Poverty Incidence during 1978-2017

Source: National Bureau of Statistics of China

Per capita disposable income of farmers increased substantially during the 12<sup>th</sup> Five-year Plan. In Figure 2, rural households nationwide are divided into five quintiles by average household income. The highest quintile witnessed the biggest increase of per capita disposable income, followed by the fourth quintile, while the second quintile ranked last. Income of the second quintile had the fastest growth rate, followed by the third quintile, and the lowest quintile ranked last. Above findings indicates that income gap still exists among China's rural residents and is on the rise.

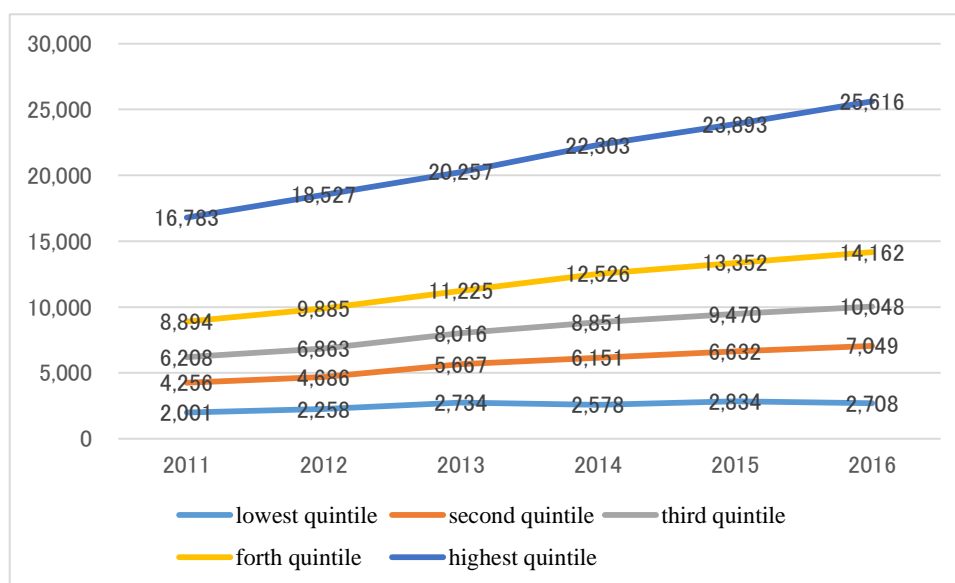


Figure 2. Increasing Per Capita Disposable Income of Farming Households during the 12th Five-year Plan  
(in 2011 RMB)

Source: China Statistical Yearbook, 2012-2016

Accompanied with rising income, rural residents enjoy better livelihood in terms of housing, drinking water, and sanitation. They also benefit from improved infrastructure (transportation, electricity, and communication), as well as public services including medical care and education (Table 1).

**Table 1. Improving Infrastructure and Public Service of China's Rural Communities in 2013-2016 (%)**

	2013	2014	2015	2016
Proportion of farmers living in huts	7.7	7.0	5.7	4.5
Proportion of farmers with access to potable water	80.4	82.3	85.3	87.9
Proportion of farmers with their own toilets	92.3	93.2	93.6	94.2
Proportion of farmers cooking with firewood	61.1	59.4	54.9	51.4
Proportion of farmers living in natural villages with roads	97.8	99.1	99.7	99.8
Proportion of farmers living in natural	98.3	99.2	99.7	99.9

villages with phone service				
Proportion of farmers living in natural villages with cable television service	79.6	88.7	92.2	94.2
Proportion of farmers living in natural villages with broadband service	-	-	71.8	79.8
Proportion of farmers living in natural villages with clinics	84.4	86.8	90.4	91.4
Proportion of farmers living in natural villages near kindergartens	71.4	74.5	76.1	79.7
Proportion of farmers living in natural villages near primary schools	79.8	81.2	81.7	84.9

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Source: *Poverty Monitoring Report of Rural China, 2013-2016*

The challenge of poverty shows its complexity not only in the insufficient income and consumption of poor population, but also the deprivation of education, health, and assets. With an increased understanding of poverty, more obtainable data, and improved data analyzing, in recent years, scholars have started to measure poverty status using the multidimensional non-monetary measure. This enables policymakers to allocate the resources to targeted population and design policies more effectively. With data from National Bureau of Statistics, Wu et al. (2017) applied the multidimensional poverty index (MPI) to measure poverty. It covers ten indicators in three dimensions: education (education level), health (health status), and living conditions (housing, road conditions, drinking water, sanitation, bathing facilities, energy for cooking, amount of durable assets, and communication facilities). Among the households whose aggregated deprivation<sup>1</sup> is over 0.4, poverty incidence is 14.9%, and deprivation of education contributes 39.4 percent to the overall poverty, followed by deprivation of health (30.6 percent) and living conditions (30 percent). These findings indicate the importance of social service and protection in the areas of education and healthcare. China's rural poverty in the aspect of living conditions is mainly shown as the deprivation of sanitation, energy for cooking, bathing facilities, amount of durable assets and communication. Another study to measure multidimensional poverty was based on a

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<sup>1</sup> The multidimensional system has three dimensions and ten indicators. It weighs each dimension equally (1/3) and within each dimension, each indicator has its cutoff value and is weighed equally. The aggregated deprivation is the threshold of multidimensional poverty. For example, studies cited in the report take 0.4 as the aggregated deprivation value, hence a household is multidimensional poor if its weighted deprivations sum up to 0.4 or more.

sampling survey in six counties of Guizhou, Yunnan, and Shaanxi province, which house a large number of poor people (Bi, 2016). The study used ten indicators in five dimensions: education (education level), health (health status), and food security (food consumption score), living conditions (housing, consumer durables, transportation, energy for cooking, drinking water, and sanitation), and social relation (access to credit). Among the households with aggregated deprivation over 0.4, the poverty incidence is 20.8%, deprivation of health contributes 29.2 percent to the overall poverty, followed by deprivation of education (27.2 percent), living conditions (19.0 percent), food security (17.6 percent), and social relation (7.1 percent). The study found that, with a higher deprivation threshold (higher multidimensional poverty intensity), the contribution from the food security dimension increases accordingly, reaching 23.0 percent when the aggregate deprivation is more than 0.8, the same as the contribution from the health dimension. The analysis revealed the concerns over food security issues among the poorest population, especially in terms of diet diversification and nutrition.

China's rural poverty areas are characterized by an imbalanced distribution geographically. The majority of China's rural poor are living in central and western regions, with some of which suffer from deeper levels of poverty. By the end of 2017, the rural poor populations in eastern, central, and western China were 3.0 million, 11.1 million and 16.3 million, respectively, accounting for 9.8%, 36.5% and 53.6% of the total poor rural population in China. Guizhou, Yunnan and Henan are the three provinces with the largest share of the poor population nationwide. Moreover, *China Rural Poverty Reduction and Development Outline (2011-2020)* identifies 14 contiguous poor regions which account for 50 percent of the total poor population in the rural China. The three regions with the largest share of the poor population are the Yunnan-Guizhou-Guangxi rocky desert region, the Wuling mountainous area, and the Wumeng mountainous area. At the end of 2016, Tibet, the Tibetan areas in four provinces (Qinghai, Yunnan, Sichuan and Gansu), four prefectures (the Kashi Prefecture, Hotan Prefecture, Kizilsu Kirghiz Autonomous Prefecture and Akesu Prefecture) in South Xinjiang, Sichuan Liangshan Yi Autonomous Prefecture and Gansu Linxia Hui Nationality Autonomous Prefecture (three regions and three prefectures) still had 3.1854 million in population, and the poverty incidence reached 16.7%. It is challenging for the poor in these regions to get rid of poverty as planned.

Poverty of China's rural vulnerable groups, especially children and elderly, is more prominent. The 2015 household survey in eight provinces (Tianjin, Jiangsu, Jiangxi, Hunan, Inner Mongolia, Yunnan, Shaanxi, and Liaoning) from the National Bureau of Statistics indicated that the income poverty incidences of rural children and the elderly in 2015 were 7.9% and 10.4%, respectively (nationwide poverty incidence in that year was 6.4%). For the high incidence of child income poverty, a possible explanation is that poor households have more children than non-poor ones. Specifically, those under the age of 15 with a per capita household income below the poverty line accounted for the largest share among China's rural poor, 22.46 percent, which was higher than the national average (17.8 percent). Poverty is a major threat to the healthy growth and comprehensive future development of children. As



important basis of future human capital, children should receive special attention to minimize the negative impact of poverty and to block the intergeneration transmission of poverty.

Entering an aging society, the problem of poor elderly becomes more apparent. According to the 2015 household survey in eight provinces from the National Bureau of Statistics, the highest proportion of age group under 15 was followed by the age groups of 41-50 years (17.3 percent), 51-60 years, 61 years and above, and 16-29 years. The proportion of poor people aged 30-40 has the lowest share (13.6 percent). It is also worth noting that there are differences among regions. The eastern and northeastern regions showed trends of middle-aged and elderly income poverty, while the central region featured elderly and child income poverty, and the western region showed child income poverty.

**Table 2. Age and Regional Distribution of China's Rural Income Poverty (%)**

Regions	Under 15	16-29 years	30-40 years	41-50 years	51-60 years	Over 61
Nation	22.46	15.33	13.56	17.26	15.99	15.41
Eastern China	11.48	6.06	8.66	17.94	27.46	28.40
Central China	25.44	16.36	7.67	16.17	16.08	18.28
Western China	23.82	17.75	16.95	17.23	13.12	11.13
Northeastern China	15.19	7.95	16.31	19.48	21.65	19.42

Source: National Bureau of Statistics

The problem of urban poverty was believed to have manifested itself on a large scale after the restructuring of state-owned enterprises during the 1990s. China have neither an urban poverty line nor official data to measure urban poverty. However, the minimum living allowance for urban residents (Table 3) could be used to estimate urban poor population. Its beneficiaries declined from 22.4 million in 2007 to 16.5 million in 2016. Their proportion in the total urban population went down from 3.70 percent in 2007 to 2.08 percent in 2016. During the period 2007-2010, the number of urban beneficiaries remained stable, but started to decrease after 2011. With the development of urbanization, increasingly frequent population mobility makes migrant workers who temporarily leave their registered residence without permanent residence in the city become new subjects in urban poverty. The total number of migrant workers in 2017 reached 286.52 million, increasing by 1.7% compared with year 2016 (National Bureau of Statistics, 2018). With the poverty line of 3.1 USD per person per day as defined by the World Bank, the income poverty incidence of China's

migrant workers is 2.07 percent, and the consumption poverty incidence is 12.3 percent. However, using the measure of relative poverty (below 50 percent of the urban median per capita income), the income poverty incidence of China’s migrant workers is 26.3 percent, while the incidence of consumption poverty is 65.6 percent (Wu et al., 2017). Though income poverty seems not a severe problem through the lens of absolute poverty, above results do indicate that the income and consumption levels of migrant workers are much lower than the urban average. A large group of migrant workers are living under relative poverty. It is anticipated that the urbanization of poverty will replace rural poverty as a worrying trend with the decline of the rural population.

**Table 3. Urban Beneficiaries’ Minimum Living Allowance, 2007-2016**

Year.Month	Number of Beneficiaries (million)	Proportion (%)
2007.1	22.4	3.70
2008.1	22.8	3.65
2009.1	23.4	3.63
2010.1	23.4	3.49
2011.1	23.1	3.34
2012.1	22.1	3.11
2013.1	21.2	2.90
2014.1	20.3	2.71
2015.1	18.4	2.39
2016.1	16.5	2.08

Source: Ministry of Human Resources and Social Security

## 2.2. Evolution of China’s Poverty Alleviation Policies

**Evolving Rural Anti-Poverty Policies.** Between the founding of the nation in 1949 to the Reform and Opening-Up in 1978, anti-poverty policy was mainly aimed at relief, without concerted efforts. Since reform and opening-up, China has reduced rural poverty effectively. This can be largely attributed to the significant economic growth and large-scale, government-led poverty alleviation efforts, which can be divided into six development stages (Table 4).

**Table 4. Evolution of China's Poverty Alleviation Policies since 1978**

<b>Year</b>	<b>Stage</b>	<b>Economic transformation</b>	<b>Major Economic Policies</b>	<b>Major Poverty Policies</b>
1978-1985	Institutional Reform	Agricultural production and diversification	Opening up and household contract responsibility system	Targeted “Three Most Poor Prefectures” in 1978 Targeted mountain areas, ethnic minority areas, revolution base areas, and remote areas in 1984 Adopted “Work-Relief” program
1986-1993	Large-scale Development-oriented Poverty Alleviation	Expansion of labor intensive manufacturing and Income gap widened	Market reform, infrastructure, agricultural science & technology, and rural SMEs policy	Set up the first agency for poverty alleviation in 1986 Started poverty reduction through development Identified concentrated and contiguous poor areas
1994-2000	8-7 National Poverty Reduction Program	Expansion of labor intensive manufacturing and Income gap widened	Market reform, infrastructure, agricultural science & technology, and rural SMEs policy	National plan for lifting 80 million rural poor out of poverty from 1994-2000( so-called “8-7 Plan”) Targeted 592 poverty counties
2001-2010	Comprehensive Poverty Alleviation and Development	Agricultural specialization, nonfarm employment, and agricultural mechanization	Land/labor market, urbanization, and land consolidation	National Poverty Reduction Guideline in Rural China (2001-2010) Targeted poverty villages (148,131) Entire village advancement program
2011-2013	Improving Comprehensive Poverty Alleviation and Development	Integrated rural urban and sustainable development	Policies to reduce rural-urban gap, social protection, and sustainability	National Poverty Reduction Guideline in Rural China (2011-2020)
2014-present	Precise Poverty Alleviation	New norm of economic development	Structural reform in supply, Policies to reduce rural-urban gap, social protection, and sustainability	13th Five-Year Plan period : 56.35 million rural poor,128,000 poor villages, and 839 poor counties to lift all the poor under current standard out of poverty by 2020

*Institutional Reform Stage from 1978 to 1985:* During this period, rural productivity was increased substantially through institutional reform. China initiated its land reform, replacing collective farming with the household responsibility system. The purchase prices of major agricultural produces were increased. Rebuilding of agricultural marketing mechanisms also began. Farmers were guided to diversify their farming practices. Meanwhile, the focus of poverty alleviation policy turned from meeting the basic needs of the poor to helping them develop agricultural production. Former revolutionary base areas, areas inhabited by ethnic minorities, remote and border areas, and poverty-stricken areas became the first batch of targets. In addition, the government implemented work-relief poverty alleviation initiatives<sup>2</sup>.

*Large-scale Development-oriented Poverty Alleviation in 1986-1993:* In 1986, Chinese government issued its first rural poverty alleviation plan and established the State Council Leading Group on Economic Development in Poor Areas and its office. Relevant provincial, autonomous regional, municipal, prefectural, and county governments also established corresponding agencies responsible for local poverty alleviation and development work. Development-oriented approach, which enhanced self-development capability of the poor through technological, financial, and cultural supports, became the guiding principle. The government also identified 18 concentrated and contiguous poor areas to implement the regional development strategy. Three funds were set up to this end, including the fund to support underdeveloped areas, the subsidized loan, and the work-relief fund.

*8-7 National Poverty Reduction Program in 1994-2000:* China issued the *8-7 National Poverty Alleviation Plan* in 1994 with the aim of resolving the subsistence problem of 80 million rural poor in approximate 7 years. It was the first poverty alleviation plan in history with clear objectives, targets, approaches, and duration. A working mechanism which features clearly defined responsibilities was formed, with heads of Party committees and governments leading the way, provincial-level governments taking overall responsibilities, and authorities at the five levels of province, city, county, town and village playing their due role to ensure concerted efforts were made to fight poverty. It also became clear that anti-poverty efforts should target poor villages and households in 592 nationally designated poor counties. Poor household targeted investment increased significantly with various approaches. Meanwhile, a broader framework was shaped during this period, which highlighted the joint efforts of special, industrial, and social poverty alleviation program, as well as international cooperation.

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<sup>2</sup> Work-relief refers to a supporting policy that the government invests in the construction of infrastructure projects, wherein a person who receives the relevant relief participates in the project construction to obtain the remuneration derived from labor services instead of direct relief."

*Comprehensive Poverty Alleviation and Development in 2001-2010:* The development-oriented approach was improved in the second strategic document for rural poverty reduction, the *Outline for Poverty Reduction and Development of China's Rural Areas (2001-2010)*. The guiding principle of the anti-poverty campaign featured the lead of government, social participation, self-reliance, and overall development. 140 thousand poor villages benefited from entire village advancement program, as well as from policies to promote agriculture industrialization and job training. The minimum living allowance expanded its coverage to rural poor who were physically unable to work or struck by accidents.

*Improving Comprehensive Poverty Alleviation and Development in 2011-2013:* The *Outline for Poverty Reduction and Development of China's Rural Areas (2011-2020)* released in 2011 raised the poverty line from 1,274 to 2,300 RMB. Emphasis was placed on 14 concentrated and contiguous poor regions, with 680 poor counties as major targets. The outline also defined special, industrial, and social poverty alleviation as three fundamental approaches<sup>3</sup> to reduce poverty comprehensively.

*Precise Poverty Alleviation since 2014: Opinions on Mechanism Innovation to Promote Rural Poverty Alleviation* marked the beginning of a new era featuring precise poverty alleviation, which aims to lift all the poor under current standard out of poverty by 2020 through directing recourses accurately and effectively, and developing more precise whole-process management. The key is to identify poor households and causes of poverty precisely, which is the basis of precise supports, dynamic management of households, and evaluation. Assessment of poor counties and households, performance appraisal systems for the anti-poverty work of provincial-level party committees and governments, and the responsibility system of political leaders proved good complements to overall anti-poverty governance. Mechanism reform and innovation are other highlights of poverty alleviation in this period, improving the management of fiscal anti-poverty funds, financial services, and social participation. Poverty alleviation strategy has been advanced comprehensively through multiple measures, including poverty alleviation through industrial development, poverty alleviation through employment, poverty alleviation through relocation, human resources development (through education and health improvement), increases in property income, poverty alleviation through ecological protection, and guaranteed social protection. There are some innovative methods being tested currently, aiming to eradicate poverty through asset income, photovoltaic technology, e-commerce, and rural tourism.

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<sup>3</sup> Special poverty alleviation includes practices led by central government, which organizes and implements large-scale anti-poverty programs. Industrial poverty alleviation refers to the programs and funds from functional departments which shoulder anti-poverty responsibilities in their specific industrial fields. Social poverty alleviation encourages the participation of various entities like provincial governments, private sectors, and social organizations through channels such as fix-point poverty alleviation and east-west cooperation.

China's *13th Five-Year Plan on Poverty Alleviation* set the objectives as follows: 1) Ensure that all the rural poor have access to food, clothing, compulsory education, basic medical care and housing by 2020; 2) Lift all the rural poor below the current poverty line out of poverty, lift all poor counties out of poverty, and address regional overall poverty; and 3) Ensure that the per capita disposable income of farmers in impoverished areas grows faster than the national average, and that the key indicators of basic public services approach the national average. Over the years, China's poverty alleviation strategy has turned its focus from the subsistence problem of farmers to improved livelihoods and comprehensive development, and from meeting farmers' material needs only to the consideration of both material and social services. The third critical reform is incorporating the goal of reducing inequality as the major component of anti-poverty strategy. Precision in poverty targeting, project arrangement, fund utilization, projects implementation, personnel dispatch, and the effectiveness of poverty alleviation programs are emphasized as well.

**Poverty Alleviation Policy in Urban China.** Unlike its rural poverty alleviation, China has no systematic urban poverty alleviation governance structure and policy. Current urban poverty alleviation policy, including employment and re-employment support and social protection, started in the 1990s, due to emerging problem of urban unemployment after the restructuring of state-owned enterprises. Urban laid-off workers are beneficiaries of unemployment insurance, employment services, and entrepreneurship support. Urban residents struggling to get jobs (those who cannot find jobs or cannot get re-employed due to obstacles such as poor health, low working skill, family problems, and loss of land) could enjoy all of the above treatments of registered unemployed residents. They are also prioritized targets of public employment service agencies.

The urban social protection system was created earlier and was more developed than its rural counterpart, including social assistance, social insurance and social welfare. Social assistance is the basic of China's social protection system. A social safety net has been established to cover urban poor since the introduction of *Interim Measures for Social Assistance* in 2014, which highlights eight programs including minimum living allowance, relief and support for extremely poor people, disaster relief, medical assistance, educational assistance, housing assistance, employment assistance, and temporary assistance, as well as social participation. In terms of social insurance, endowment insurance is one of the key programs. China has established a health insurance system with three horizontal dimensions and three vertical dimensions. Horizontally, the system includes the basic health insurance system, urban and rural medical assistance system and supplementary medical security system; As the main component, the basic health insurance system is further divided vertically, namely, the basic health insurance for urban workers, the basic health insurance for urban residents and the new rural cooperative medical system. These three basic systems covered over 95% of the population during the 12th Five-Year Plan period, achieving the goal of universal coverage. China's social welfare programs, including senior welfare, children welfare, and disabled welfare, have been gradually improved as well.

Migrant workers who register<sup>4</sup> as rural residents but live in cities are more vulnerable due to the lack of targeted poverty alleviation policies and programs. Household registration reform has been initiated by Beijing, Shenzhen, Guangdong, and Shanghai since 2011 to meet the housing, education, and medical needs of the migrant population. Migrant workers who can benefit from this reform are still very limited, given various limitations in terms of employment status, housing, and years of social security contributions.

### **2.3. China's Poverty Alleviation Governance, Inputs, and Challenges**

There is not a national coordinating mechanism for the governance of poverty alleviation, instead rural and urban poverty is separately managed by different departments. More efforts are made in poverty alleviation in rural areas with strategic planning and comprehensive governance. The multi-level governance of poverty reduction for rural areas includes vertical and horizontal dimensions. The vertical dimension refers to the working mechanism coordinated by the Leading Group of Poverty Alleviation and Development at central, provincial, prefectural, and county levels, and led by the Leading Group Office of Poverty Alleviation and Development at central, provincial, prefectural, county, and township levels. Detailed work is implemented by governments at these five levels. The graded responsibility mechanism clarifies divisions of work for different levels of governments, with reasonable adjustments based on provinces' specific situations. Relatively speaking, township- and village-level governance were weak points to the implementation of poverty alleviation strategies in China. This situation has been improved since 2013 with more personnel in the township poverty alleviation agencies and various governance capacity approaches at the village level, such as the mechanism for cadres to work in villages for poverty alleviation. The establishment of assessment and incentive mechanisms, together with the monitoring system, also contributed to the governing capacity.

In terms of horizontal governance, there are two sets of functional departments involved in poverty alleviation. One set of departments, such as the Ministry of Transportation, the Ministry of Agriculture, Ministry of Health, and the Ministry of Education, focus on poverty alleviation in their specific areas. Another set of departments, such as the National Development and Reform Commission, the Ministry of Finance, and the Leading Group Office of Poverty Alleviation and Development, shoulder more comprehensive tasks, coordinating the overall plans at the state level while also contributing to implementation of poverty alleviation programs. Interdepartmental collaboration has been improved since the implementation of the precise poverty alleviation strategy. An increasing number of poverty-alleviation-related documents were jointly issued by various departments, showing a pronounced tendency for interdepartmental cooperation at the designing stage of policies.

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<sup>4</sup> *Hukou* is a system of household registration for population management in China. It relates to social programs provided by the government, which assigns benefits based on agricultural and non-agricultural (often referred to as rural and urban) residency status. Rural residents have the land use rights but cannot enjoy public services in cities.

Constantly increasing anti-poverty investment, driven by the political commitment to eliminating absolute poverty and building a moderately prosperous society by 2020, is a major engine for poverty reduction. China's expenditure on rural poverty alleviation mainly comes from central and provincial financial authorities. Other funds are from industrial departments, financial institutions, social forces and international organizations. The special poverty alleviation funds allocated by the central government are mainly used to support the poor areas to develop competitive industries, improve the production and living conditions, and enhance the employment and production capacity of the residents. Input from functional departments of the government targets industrial development, infrastructure construction and social programs in poor areas. It can directly benefit poor people by promoting production and living conditions and achieving the equalization of public services. Financing needs for poverty alleviation are met through a poverty alleviation relending program, microfinance loans, as well as other financial services, including special loans for poverty alleviation through industrial development, poverty alleviation through relocation, and infrastructure development. In the meantime, social input is encouraged and channeled to poor areas through some pair-wise approaches, such as fixed-point poverty alleviation, east-west cooperation, as well as the participation of the private sector and other social forces. From 2013 to 2017, the special poverty alleviation funds showed an upward trend from 39.4 billion RMB to 86.1 billion RMB annually, totaling 282.2 billion RMB with an annual growth rate of 22.7 percent (2.65 times of the annual growth rate of the country's public expenditure). Besides direct fiscal investment, during 2013-2017, a total of 120 billion RMB in local government debt was made available for improving living and production conditions in poverty-stricken areas. Another 99.4 billion RMB in local government debt and 50 billion RMB in special construction funds were also provided for the relocation of people from impoverished areas. Urban poverty alleviation governance and its funding system lag behind when compared with those targeting rural areas. Urban anti-poverty policy is traditionally designed by the Ministry of Human Resources and Social Security, which is also in charge of implementing employment and social protection programs.

Even with a much-improved poverty alleviation policy framework, increasing anti-poverty investments, and a reducing poor population, China faces continued challenges when the country enters the era of urbanization. First, rural-urban dualization in terms of poverty alleviation governance and poverty lines lead to the present complicated situation where gaps exist between rural and urban public service and the social safety net. The poverty status of migrant workers has long been overlooked. Second, interdepartmental cooperation in implementing poverty alleviation policies remains a problem. It is particularly difficult to realize the unification of poverty alleviation and minimum living allowance mechanisms. Third, while the role of rising income in the fight against poverty has been taken seriously by the government, this is not the case for social protection. China should take the current socio-economic background into full consideration using the multidimensional poverty measures when designing targeted policies and programs for improvements in education, health, medical care, and nutrition. Fourth, China used to champion the top-down approach



but tended to neglect the real needs of poor people. This pathway is increasingly becoming challenging since poverty alleviation through industrial development is not as effective as before. Learning from the BOP business models and good practices, which incorporate both top-down decision making and bottom-up participation of the poor, could be opportunities to trigger the growth of new industries while letting the voice of poor people be heard. Fifth, despite significant achievements under the government-led poverty alleviation mechanism, social participation, especially the role of the private sector is relatively weak. Sixth, there is a concern over the sustainability of large-scale poverty alleviation investment from the central level, in addition to the possible crowding-out effect of increasing rural investments in social safety nets for the low-income population. For example, negative impact of increasing investments in poor poverty alleviation on similar investments on urban poor has already been observed in recent years (Table 4). The major budget expenditures on the well-being of low-income populations (particularly the rural population), including the fiscal subsidy to rural and urban basic pension systems, the minimum living allowance, the new rural cooperative medical system, the Grain for Green Program, poverty alleviation, and rural building renovation, have maintained an annual growth rate of more than 10 percent since 2013. After taking poverty alleviation investments off, however, the expenditures on the other five items in 2016 were actually 21 percentage points lower than a year ago, indicating the negative impact of large-scale poverty alleviation funds on the stability of other types of fiscal investments targeting low-income people.

**Table 5. Changes of Budget Expenditure on the Well-being of Low-income Populations in China**

**2012-2016 (billion RMB)**

<b>Items</b>	2013	2014	2015	2016
Fiscal subsidy to rural and urban basic pension system	123.5	134.9	185.3	190.8
Minimum living allowance	144.1	155.8	166.5	165.8
Urban minimum living allowance	68.6	71.4	75.4	71.6
Rural minimum living allowance	75.5	84.4	91.1	94.1
New Rural cooperative medical system	242.9	273.2	309.6	302.5
Grain for Green Program	28.5	29.0	33.5	27.6
Poverty alleviation	84.1	94.9	122.7	228.6
Rural building renovation	38.2	37.6	53.6	44.6
Total	661.2	725.4	871.3	959.8
Rate of change (%)	112	110	120	110

Rate of change, without poverty alleviation funds (%)	111	109	119	98
Rate of change of poverty alleviation funds (%)	122	113	129	186

Source: National General Public Budget Expenditure, MoF, 2012-2016, available at: <http://www.mof.gov.cn/zhengwuxinxi/caizhengshuju/>

China will need to formulate a new poverty alleviation strategy based on the post-2020 socio-economic outlook. The overall strategy will need to place emphasis on the following: setting a new poverty line, fine tuning targeting mechanisms, developing urban-rural integrated anti-poverty strategies, coping with the aging society, achieving sustainable financial poverty alleviation, and seeking innovation in poverty alleviation governance and mechanisms. Chinese authorities have already outlined the rural revitalization strategy for a stronger agricultural sector, serener countryside, and wealthier farmers. The first step towards a revitalized rural area is to eradicate poverty, especially in deeply impoverished areas and among poor population, through multiple channels of precise poverty alleviation. County-level government will be further motivated and monitored to push the anti-poverty work forward. On the other hand, the inner power and capacity of poor people will be promoted.

#### **2.4. China's Lessons in Poverty Alleviation**

As a unique outcome of specific historical and socio-economic environment, China's practices in poverty alleviation in the past four decades also offer successful lessons for poverty reduction worldwide and contribute to the knowledge of global development. The research summarizes a number of success factors, with the discussion of their applicability, in order to share Chinese lessons with the international community effectively.

First, strong government support provides political guarantee for China's efforts to mitigate poverty. Poverty alleviation is an important component of the national plan on reform and development, supported by a properly coordinated governance structure. The top-down mechanism effectively ensures critical resource and financial investment, as well as safeguards from laws and regulations. The stronger role of government might be inspiring for developing countries which cannot follow the western path towards an active civil society and a relatively weak government.

Second, as a unique practice in China, rural land reform is of great importance for poverty reduction. The household responsibility system initiated in 1978 separated land-use right from ownership rights, allowing rural households to contract and farm the land which is collectively owned by the village. The reform successfully incentivized millions of farmers and reduced poverty. Recently China's top legislature is considering a revision to the law on rural land contract, further clarifying the separation of the ownership right, contract right and management right of rural land. The new round of reform can better allocate land resources to develop modern large-scale agricultural operations and raise farmers' incomes.

Third, rapid economic growth is a universally-acknowledged driving force for poverty alleviation. Market demands for agricultural products and labor increase with economic growth. Industrialization and urbanization also offer more opportunities to engage farmers in non-farm business and employment, opening new income channels for them. Inclusive poverty alleviation stems from increasing agricultural productivity, development of labor-intensive industries, and the capable-people-driven economic development model, which allow some people to get rich first. In addition, economic growth can drive the level of fiscal revenue, potentially leading to increasing anti-poverty investments.

Fourth, China adopted the development-oriented approach, including offering preferential policies for poor regions and population, improving underdeveloped infrastructure and public services, as well as strengthening the capacity of poor people and preventing the intergenerational transmission of poverty. Specifically, poverty alleviation through industrial development is a key momentum to push the anti-poverty work forward. Developing countries could learn from China's emphasis on long-term impacts of industrial growth and its efforts to coordinate the development the underdeveloped regions and their residents. A detailed introduction of poverty alleviation through industrial development will follow in the next section. Moreover, China has explored a host of new principles and models while practicing precise poverty alleviation since 2014, stressing accurately targeting at poor population and effectively mobilizing resources. While lessons from China's precise poverty alleviation could enrich the international knowledge on poverty targeting, it is also worth noting that some of the practices are based on the unique political and institutional settings in China.

Fifth, China advocates the pair-wise framework of east-west cooperation and fixed-point poverty alleviation, mainly through routine pair-wise aid among provinces and cities in western and eastern China. The framework successfully promotes coordinated regional development and regional cooperation, optimizes the industrial structure, and opens new markets for stakeholders within and outside the province. It also effectively mobilizes the resources among regions, governmental agencies, and social forces, setting a good example for the international community.

Sixth, China emphasizes international cooperation in poverty alleviation, attaching great importance to multilateral cooperation with international organizations represented by the UN system, and engaging in bilateral activities such as China-Africa cooperation. China welcomes international knowledge and good practices in poverty alleviation. It also advocates a sharing and cooperation platform, aiming to support poverty alleviation efforts worldwide through resources and experience.

## **2.5. Summary**

Since the Reform and Opening up, China has witnessed declining poor population, increasing per capita disposable income, and improving living conditions as well as public

services. However, income gap still exists among China's rural residents. It is challenging to tackle the problems facing by regions trapped in deep poverty. Poverty of China's rural vulnerable groups, especially children and elderly, is more prominent. Taking a multidimensional perspective, the deprivation of education contributes the most to the rural poverty in China. It is anticipated that the urbanization of poverty will replace rural poverty as a worrying trend with the decline of the rural population. Migrant workers have become new types of urban poor.

After 1978, Chinese government has led large-scale poverty alleviation and development efforts. Specific practices have been adjusted for several times according to the dynamics of poor population, regions, and tasks. The overall strategy changed from relief to development-oriented poverty reduction, and finally to the combination of development-oriented approach and social protection. The priority turned from regional development to precise poverty alleviation which targets poor household. Once leading all the practices on its own, Chinese government is now championing the joint efforts of government, market, and the civil society. Unlike its rural poverty alleviation, China has no systematic urban poverty alleviation governance structure and policy. Migrant workers are more vulnerable due to the lack of targeted poverty alleviation policies and programs.

Chinese government strengthened and partly reconstructed the poverty alleviation governance system, making it the basis of carrying out precise poverty alleviation strategy. In terms of vertical poverty governance, China established a five-level model to facilitate the top-down management. In terms of horizontal poverty governance, involved industrial departments have made their responsibilities clear and formulated implementation plans successively. Since 2013, China has set up a preliminary input system by increasing the specialized fiscal input, integrating agro-related funds, promoting financial services, and mobilizing social resources. Current anti-poverty policy invests a large quantity of resources, but few people can benefit from it (only the registered poverty-stricken family). Though useful to eliminate absolute poverty in the short term, such model faces unsustainability and risk both economically and technically in the long run. For example, it might take up the fiscal, financial, human capital, institutional, and employment resources originally assigned to non-poor regions and rural population, negatively influencing their development.

### **3 Poverty Alleviation through Industrial Development and BOP business**

#### **models**

##### **3.1 An Overview**

As one of the key anti-poverty strategies, poverty alleviation through industrial development (PAID) is based on growing industries and supportive policies with an emphasis on the poor as the target and the beneficiary of preferential treatments, and on the benefits received by poor families from industrial development, compared with conventional industrial

development. Through capacity building, its goal is to help poor rural households develop entrepreneurial skills and participate in the value chain dominated by business entities. That helps improve the efficiency of poverty alleviation and resource utilization, and eventually upgrades the industries in poor regions. Enterprises and other rural business entities are the major stakeholders to involve the poor population in the value chain. And the key issue is to build the win-win benefit mechanism between the two elements. There are two different motivations for the participation of enterprises in PAID. The first is driven by the marketization for the development of the industry, and the second is the social responsibility to help poor households move out of poverty. The logic of marketization aims at the maximization of optimal resources allocation and market efficiency. This usually leads by the large companies with investment to realize scale economy for competitiveness and maximum profit. The logic of social responsibility emphasizes benefits for the poor. Besides pursuing interests, enterprises involve poor households at the bottom to join and benefit from industrial development. This is a logic of “helping the vulnerable group” and achieving inclusive growth.

As a similar approach to PAID, the “Bottom of Pyramid” (BOP) approach has recently being advocated by the international development community. Franklin Roosevelt, a former president of the United States, first introduced the concept of "BOP" in 1937, referring generally to the poor at the bottom. Prahalad & Hart (2002) pointed out that cooperation among the poor, civil social organizations, governments and large businesses could create the world's largest and fastest growing market. Promoting large-scale and extensive entrepreneurship is the core of the poverty alleviation. The BOP approach provides theoretical support and practical guidance for private enterprises to alleviate poverty and develop the market-based economy. The BOP approach has recently undergone a shift from treating the poor as pure consumers to treating them as producers as well as consumers. It was further enriched by recent practices, in which companies partnered with BOP populations and integrated innovative business models with specific socio-cultural environments.

### **3.2 Comparison of China’s PAID and BOP business models**

According to the ways the registered poor are involved, there are four models of PAID: the production-driven model, the employment-driven model, the asset income generation model, and the hybrid model.

The production-driven model can increase the agricultural income of registered poor households through the efforts of enterprises to include the poor in the agricultural value chain. Specifically, the model includes two types: (1) downstream enterprises in the value chain, which buy agricultural products as raw materials, can boost farmers’ income by organizing and guiding them to grow crops or raise livestock, and purchasing the products with guaranteed prices; (2) upstream enterprises, which produce agricultural machinery, fertilizer, seed, and feed, can enhance agricultural production efficiency by providing free or discounted quality inputs to poor households and reducing their production costs.

Employment-driven model can increase the poor farmers' wage income through the efforts of enterprises to hire the poor. The model includes two types: (1) enterprises hire the poor and sign the long-term contracts with them; and (2) enterprises invest in the construction of agricultural or industrial production bases and provide seasonal and temporary employment opportunities for the poor households.

The asset income generation model means that enterprises capitalize and convert collectively owned natural resources such as land, family-owned resources such as houses, or fiscal funds for poverty alleviation through industrial development and microloans for poverty alleviation into shares owned by poor households. The poor villages and households can receive the income according to the shares or specific proportion. Based on different types of assets, the asset income generation model can be divided into the resource income generation model and the capital income generation model. The resource income generation model can be subdivided into the land resource income generation model, the tourism resource income generation model, and the labor resource income generation model. The capital income generation model can be subdivided into the poverty alleviation fund income generation model and the credit fund income generation model. Poverty alleviation through industrial development in Yanbo Village, Yuni town of Panzhou City, Guizhou Province, is a typical example of the asset income generation model. It started a so-called "Three Transitions" reform in Guizhou. The first is the transition from resources to assets. The village committee will transform collective forest resources into assets through loan and forestry shares of the villagers. Some timber processing activities are organized to increase the assets. The second is the transition from capital to equity. Multiple sources of capital are encouraged to be transit including business investment, the village collective assets and the villagers' individual capital. The special fund for poverty alleviation can also be transited into equity through investment in village enterprises with an annual dividend payout. The third is the transition from villager to shareholder. Villagers take shares in enterprises with land, labor, technology, or capital, which enhances the connection of villagers and enterprises. After the three transitions, every household in the village has shares with a potential to earn the dividends.

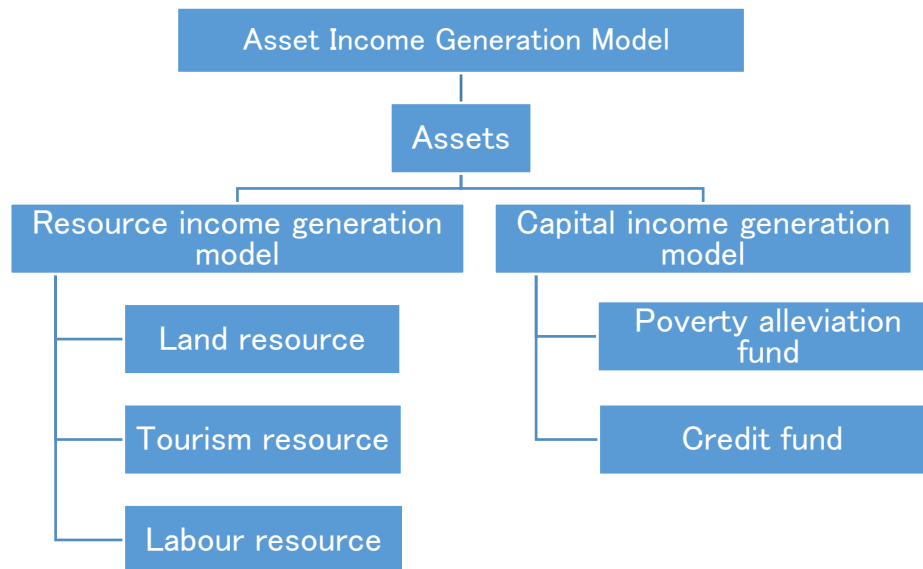


Figure 3 Asset Income Generation Model

The hybrid model is a combination of the above three models. It not only provides a stable financial income, but also improves the capacity of the poor. There are a few successful cases. In Liupanshui city, the "Three Transitions" of the asset income generation model are integrated with the production-driven model to involve farmer cooperatives, rural supply and marketing cooperatives, rural credit cooperatives and enterprises. Employment opportunities are created and increased at the same time. Daozhen Qianyun Zihai Agricultural Tourism Development Co., Ltd.( QZ), an enterprise that engages in vanilla cultivation, spices processing, vanilla tourism and sightseeing for health and other businesses, reaches out to the surrounding farmers to address poverty issue through various approaches, including direct employment, production contract, and stockholding. The three models are operated as follows. In the production-driven model, QZ encourages farmers to develop and participate in the vanilla planting through the linkage of "company+ cooperative +farmers". The company provides the varieties, set the production processes and standards, and do the marketing of the produce. In the employment-driven model, through targeted employment approach, QZ provides a significant number of employment opportunities for the poor households, especially in the fields of sales, services and sanitary cleaning posts for women. In the asset income model, QZ encourages farmers to plant vanilla in idle lands, develops a collective tourism business, and pays rent to farmers to increase their property income.

BOP business models can be divided into three types according to the position that the enterprises treated BOP groups: consumer, producer and enterprise partner.

One type of BOP business models treats BOP population as consumers and identifies the key for market penetration in order to provide BOP groups with affordable and desirable products and services. At present, how BOP consumers can be provided with public goods and services, such as medical care, education and other products and services, so as to improve the welfare level of BOP groups is a very important issue for enterprises and

governments. In this model, enterprises and governments play different roles. First of all, enterprises need to deeply understand the inherent needs of BOP consumers, innovate products, and provide services that meet the needs of consumers. Second, enterprises need to pay attention to product research and development of independent property rights and the localization of software and hardware, which reduces the cost substantially and realizes a low price under high technology. Government is a key role between BOP consumers and enterprises. The government sets regulations for strict examination of products, ensuring product qualification to protect consumers' interests. Meanwhile, for consumers in urgent need of new products and the enterprises expecting to sell the new products, the government should play an intermediary role to optimize the purchasing process, eliminating the link between consumers and enterprises to the maximum extent so as to reduce the transaction costs. To meet the need of consumers who cannot afford products for health care and education, the government may purchase and provide them free of charge for the poor.

The second type of BOP business models views BOP groups as producers with an aim to incorporate their resources into the value chain. On one hand, it can lead to innovative business models and create value for enterprises. On the other hand, BOP groups can benefit from this process through their enhanced human capital and participation. As a result the BOP group can enjoy higher household income and living standards. As producers, BOP groups can participate in various stages of the value chain, including supply of raw materials, processing, distribution and marketing. But their specific roles, functions, and the degrees of participation in the value chain are determined by the enterprise's product characteristics, market position, as well as its resources and capabilities. According to the different BOP groups engaged in the industry, the producers are divided into agricultural and non-agricultural industry producers, and the measures for different industries and enterprises are slightly different. For BOP producers engaged in agriculture, first of all, enterprises should devote themselves to developing high-level agricultural commodities, apply for product certification and build famous brands. Secondly, the enterprise should sign purchase contracts with BOP producers and set protection prices to guarantee production enthusiasm. Finally, the enterprise should provide technical support and information services for BOP producers. Government is the bridge between BOP producers and enterprises, and government can play an important role in linking enterprises with the BOP population and establishing cooperative relations between enterprises and producers. In addition, governments provide insurance or micro-credit services for agricultural producers. For BOP producers engaged in non-agricultural industries, first of all, enterprises should train BOP producers to improve their human capital and technical capacity. Secondly, enterprises can establish a flexible compensation system adapted to the working characteristics of BOP producers. The government may implement certain preferential policies to encourage enterprises to recruit staff from the BOP population. Thirdly, the government can hold basic skills training for BOP producers, issue training certificates, and promote human capital of BOP producers to increase the likelihood of finding non-agricultural jobs.



The third type of BOP business models considers BOP groups as partners in order to create a more equal relationship for mutually beneficial cooperation between BOP groups and enterprises through partnership and trust building efforts. To support this partnership, cooperatives and integration of dispersed resources will be required with supportive policy from the government. Government will also play a key role for developing, sustaining and supervising long-term, stable, and mutually-beneficial cooperation. Zhoujiazhai village in Dahe town of Liupanshui Zhongshan District, Guizhou Province is a good example of such formation. Through the reform of "Three Transitions", households become the stockholder and their identity has changed to participant and the operator of cooperatives from bystander, and their benefit has been tied up with the cooperative, which leads to a win-win situation for both cooperatives and farmers. First, the government needs to help BOP groups to integrate scattered resources, reorganize idle resources and increase infrastructure construction to help BOP groups become partners of enterprises, which is the basis of this approach. The government can help establish a mechanism to monitor the operation of enterprises or cooperatives to ensure that BOP groups can gain both dividends and salaries. In cooperation with BOP groups, enterprises need to stabilize the cooperation with BOP groups by sharing the profits and dividends related to BOP groups to enhance the trust of BOP groups in the cooperation. Some other practices are suggested such as setting up a mutual fund from profits to help BOP groups improve their livelihoods and strengthen the sense of being part of the enterprises. The enterprises also need to actively expand resources and set up appropriate business strategies to help BOP groups toward long-term partnership and profit.

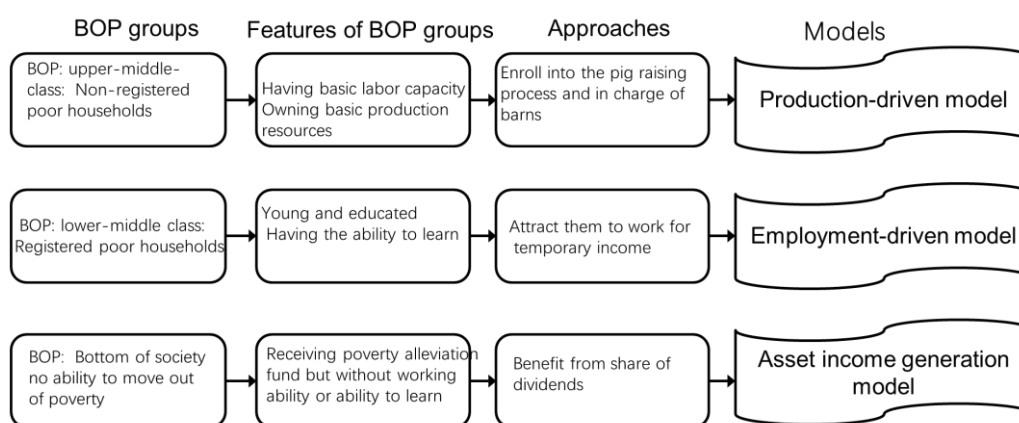
**Comparison of BOP business models with China's PAID.** A number of similarities between the BOP and PAID can be identified. First, poverty alleviation through industrial development and BOP business models both target the poor and share the same goal to increase the poor's income and welfare through enterprises. Second, the models of PAID are similar to BOP business models which treat the BOP population as producers and partners. Both emphasize the poor's participation in the value chain and cooperation with enterprises. Third, market-orientation plays a crucial role in both China's PIAD and BOP business models. China's industrial poverty alleviation policy emphasizes the importance of market forces to enable enterprises to spontaneously obtain benefits and actively participate in industrial poverty assistance projects. This is completely different from the way governments subsidize or how companies assist in poverty alleviation. In previous industrial poverty assistance, low-income groups were seen as a burden or victim of economic development. They could only be passively assisted and could not actively participate in the process of wealth creation. As a result, there is concern that this huge group is increasingly dependent on society, and the efficiency of the investment in the poor is quite limited. The current government has issued various policies to encourage enterprises to take advantages of capital, technology, market and management, and participate in poverty alleviation and development through market development, resource development, etc. BOP approaches do not see the poor as targets of social burden or compassion, but as smart and creative entrepreneurs, as well as a part of

leading low-income people to increase their incomes and raise welfare levels. Emphasis is placed on commercial solutions to poverty alleviation.

Sichuan TQLS group adopted the concept of BOP business model and practiced in Sichuan Liangshan Yi Autonomous Prefecture, exploring and summarizing a new BOP business model where market extension and resources development are combined. Regarding BOP groups as partners, TQLS not only offers products or services that are affordable, available and convenient to purchase, but also integrates it into the enterprise's value chain, develops and utilizes the resources of BOP groups, realizing the interactive mutual benefit of the enterprise and the BOP groups.

### Case 3.1 Sichuan Tieqilishi Industrial Co., Ltd. (TQLS) in the PAID based on BOP business model

TQLS is a national leading agricultural enterprise in the fields of feed, layer, swine, and duck. It is committed to produce food with top quality in China. TQLS has identified six pairs of challenges faced in the PAID, that is, poor households' limited management ability V.S. high threshold to access the industry, households' scattered production V.S. high agri-business risk, limited resources for poverty alleviation V.S. huge investment demand for industrial development, scattered resources for poverty alleviation V.S. centralized industry demand, long term public welfare goal V.S. short-term profit goal, and environmental responsibilities V.S. business expansion. To solve these challenges, TQLS has put forward an innovative way to develop the "embedded" **Public Private NGO Personal - Business Oriented Poverty Alleviation (PPNP-BOPA)** partnership. On one hand, TQLS cooperates with the government and local cooperatives to motivate the participation and cooperation of BOP groups. On the other hand, TQLS signs cooperation agreements with the government, the BOP groups and investment management Guarantee Company for interactive business integration. TQLS uses government poverty alleviation funds to build pig barns for the farmers. An annual rent in the amount of 8-9% of the construction costs will be paid and partially shared with the poor households. TQLS further identifies the BOP groups into different layers based on the characteristics of the group, and supports the farm households through recruiting the households to raise pigs, providing employments and sharing dividends from the poverty alleviation fund.



TQLS launched a pig breeding project in Liangshan Yi Autonomous Prefecture, Sichuan Province, and cooperated with the local Xidenong Travel Investment Co., Ltd. to build a pig breeding farm. During the construction of the pig barns, the local poor have the opportunity to earn wage income. After the establishment of the pig barns, Xidenong selected the young and educated poor households from the list with information of registered poor households provided by the local poverty alleviation and immigration bureau. The training was then carried out by Tietilishi. For each piglet barn, two trained farmers will be responsible for raising 1,000 pigs per year for a stable annual income of approximately 100,000RMB, which is called the “1211 model”. This model demonstrates responsibilities and benefit allocation between the company and farmers that the farmers will invest its labor in raising pigs and company will be responsible for all the other inputs and marketing. The profit will be equally allocated between the company and farmers. About 220,000 piglets will come out of this project in Xide County and about 400 farmers will be employed each year.

TQLS also explores and encourages the leading role of village organizations and the local leaders, and innovated a "1+8" model. The model is designed in such a way that one local leader helps eight poor households. TQLS invested 1.5 million RMB on average to build one pig barn, and 3 million RMB for breeding costs. The government provided part of finance through the subsidized loans and poverty alleviation funds. Under this model, each of the 8 poor households can share 5,000 RMB dividends together with other income from part time job in the barns and planting feeding stuff. And the leader can earn up to 100,000 RMB per year.

**There are also some significant differences between the PAID and BOP business models.** First, they have different target groups. The target group for China’s PAID is the registered poor households according to the nation’s poverty standard. The current poverty standard is 2,300 RMB (39405.44 JPY) per capita net income per year according to the price level in 2010. According to the National Bureau of Statistics, the number of rural population below this standard in China in 2017 was 30.46 million. However, the target group of BOP business models is the low-income group with a daily income of less than \$2 (215.44 JPY), that is, the group at the bottom of the economic pyramid that divides the global population according to level of wealth and income. As a result, they result in different sets of the poor who need to be targeted.

Second, the government plays different roles in the PAID and BOP business models. The government plays a leading role in China’s PAID. First of all, the financial support and preferential policies provided by the government to resource-poor farmers and enterprises are key to ensuring the smooth progress of industrial poverty alleviation. Second, the government plays an important role in reducing the bottlenecks in linking between enterprises and the poor and reducing the transaction costs. In order to reduce the transaction cost, the government of Liangshan in Sichuan Province has set up a system (a 4-level e-commerce service system for poverty alleviation in Liuzhi Special Zone: state with platform, county with center, township with station, and village with station) of agricultural products and rural e-commerce with market competitiveness to support enterprises to use e-commerce platform

to sell agricultural products into the city. Third, the government helps to monitor the process to ensure the poor's benefit in China's PAID. The government has played a critical role in designing and monitor the cooperation mechanism between enterprises and the poor population. For example, in the "Three Transitions" reform in Liupanshui district, Guizhou, in order to ensure the rights and benefits of the poor, the municipal government formed a judicial guarantee group from the legal and judicial departments to guide the agreement among towns/communities, financial institutions, district management companies, poor households and the village. The government also improved the procedures through legal approaches with regular supervision from the discipline inspection and supervision departments. Meanwhile the government plays a less critical role in the BOP business models.

Third, China's PAID does not target the consumption market of the poor. In the process of poverty alleviation through industry development, the poor groups are regarded as producers and partners. But in practice, some services and products are designed for the poor groups from the perspective of the consumer model. For example, insurance for the poor is specially designed to reduce product price from the consumers' perspective so as to meet the consumption demand of the poor for insurance products. Health care insurance, agricultural insurance, and special insurance that target the elderly, children left behind, disabled people and other special hardship groups are designed. For example, Qin'an County of Gansu Province set up an accident injury and additional major disease insurance program for rural residents who received basic living allowance, five guarantees support and the orphan group. The insurance policy insures the poor households with an insurance premium paid by the government and the insurance company. 150 RMB (2569.92 JPY) per person a year is paid by public finance, another 50 RMB (856.64 JPY) a year is paid by the Chinese Life Insurance Company. The highlight of this project is the changing of reimbursements into pre-paid, which alleviates urgent need to raise money and eases the "last kilometer" problem.

### **3.3 Participation of Japanese Companies in BOP business models**

Japanese companies have distinct institutional and technological advantages which serve as the key for Japanese companies to sustain their comparative advantage in global competition. Its institutional advantages are mainly manifested in the mutual shareholding for legal persons and the main bank system which guarantee stable capital security, and the life-long employment and seniority-wage system, which reduce the staff mobility and sustain the human resources' capacity building to shape the consistent long-term development goals between staff and the company. The technical advantages are mainly reflected in hi-tech and green technologies as well as their technological innovation models.

Japanese enterprises that would apply BOP business models in China have a number of strong points in China: business model aimed at long term strategic development; systemic, comprehensive and detailed market investigation; universally recognized production technologies and the experience amassed by Japanese companies over the years in investing in China. They also face a few disadvantages. It will take time for the Japanese companies to

find the right business model to explore and develop suitable product under unfamiliar conditions. Meantime, the lack of value chain development in the BOP market, coupled with the lack of infrastructure, market intermediaries and support institutions, and information facilities can also significantly limit participation of Japanese companies. The opportunity lies in the fact that China still has a large number of BOP groups even after a number of years of significant economic growth. Due to the limitations of government-led poverty alleviation, the enterprise-based BOP approach may become a good supplement to Chinese government poverty alleviation policies as the government advocates a social multi-stakeholder participatory approach as a joint effort. The threat lies in the fact that the BOP population differs with other groups in competency characteristics, cognitive characteristics, and their living conditions; challenges to build the mutual trust between the BOP population and companies; difficulties to realize economies of scale and high productivity; difficulties to adjust technology and production processes to meet the BOP population's demand; and the challenges of high cost brought in from inclusiveness of the BOP population. Japanese companies that can successfully carried out BOP business in China must gradually solve the business challenges and high cost challenges that they face. They need to connect local governments and local large-scale enterprises and organizations, such as the case from TQLS to develop partnership with local government and farmer cooperatives, and utilize the capacity of local leaders to motivate the pro-active participation and self-motivated responsibility of BOP groups.

Based on the field missions in the three provinces of Sichuan, Guizhou and Ningxia, the feasibility analysis of Japanese companies helping the poor, and different BOP business models, the following approaches to implement BOP business models for Japanese enterprises in China can be implemented. The first is to identify and target advantageous industries. On the basis of market analysis combining local geographical conditions and the advantages of local resources, Japanese companies can aim at the advantageous industries suitable for local development, so as to pool resources, apply innovative technologies, and grasp the comparative advantages of the industries to gain profits. The second is to provide the products tailored to BOP demand. Through continuous technological innovation to reduce costs, Japanese enterprises can provide affordable and convenient goods and services for BOP groups, meet the unexplored needs and specific desires of BOP groups, cater to the needs of low-income groups, and then enhance market competitiveness and market share. The third approach is to enhance human capital of BOP groups. By actively implementing the project which is beneficial to human resource development, Japanese enterprises can provide the BOP group with the opportunity to learn, so as to cultivate capable and employable human resources. The fourth approach is to understand Chinese policies and seek policy assurance. Through better understanding of China's policies, regulations and policy direction, such as offering low-interest-rate financial support for PAID, Japanese companies can enter the BOP market and sustain through improving operational performance. The fifth approach is to cooperate with social networks (the private sector, research organizations and NGOs). Embedded in the local economy and society, Japanese enterprises can make full use of local

resources of BOP groups to obtain detailed information about the BOP market, so as to improve the efficiency of the enterprise operation, obtain the legitimacy and trust of BOP consumers, and then competitive advantage.

### **3.4 Recommendations for Japanese Enterprises to Participate in Poverty Alleviation in China**

A number of recommendations for Japanese companies to apply the BOP business models in China are identified. The first is to better understand Chinese policy. China's policy provides not only direction guidance but also practical support for the development of domestic and foreign enterprises as well as social organizations. Japanese enterprises in China could first have a comprehensive understanding of China's policies in order to develop and implement the BOP business models. The policy document of the 19th National Congress of the Communist Party of China calls for an implementation of the rural revitalization strategy as the country faces a new era on its path to becoming a high income country. The strategy treats the issues of agriculture, rural areas and farmers as the top priority of the country. Japan had rich experience in rural revitalization. Japanese enterprises can link Japan's experience with China's rural development, so as to identify an appropriate role of Japanese enterprises in helping China to reduce poverty while earning profits.

The second recommendation is to identify appropriate partners to work with. How to be better involved in poverty reduction is the key problem to be addressed by Japanese enterprises in implementing the BOP approach in China. From the experience of China's PAID, three forms of new agricultural organizational entities, such as professional large family farms, cooperatives and leading enterprises, are becoming important forces in Chinese agriculture. They can play an important intermediate role between Japanese enterprises and the poor, and also serve as the connecting nod for Japanese companies to implement BOP business models.

The third recommendation is to proactively develop the BOP market. The potential market of BOP in China is large. However, because enterprises tend to treat low-income groups as non-consumers or marginal consumers and ignore their demand, the potential of BOP groups as consumers cannot be realized. Such gap in the BOP market can serve as a huge opportunity for Japanese companies.

The fourth recommendation is to collaborate with multi-stakeholders for a BOP friendly business environment. It is difficult for a single enterprise to advocate for institutional support for the BOP group. Most successful companies in the BOP market have established a local market-oriented business environment. Japanese enterprises can contact and mobilize main participants, including BOP groups, local enterprises, government agencies, NGOs and social entrepreneurs, so as to build a BOP friendly business environment. For example, Japanese companies can rely on the advantages of rural natural resources in impoverished areas to develop tourist resorts, thereby stimulating the development of farmyard touring and catering,

rural tourism and other projects. At the same time, the companies can develop rural tourism products that promote the participation of poor households which can also bring profits from the company. In addition, Japanese companies have established their own logistics distribution system through self-construction or cooperation with third-party logistics companies. The benefit from selling the agricultural products, handicrafts and other products from impoverished areas to urban residents will also bring in income for poverty-stricken areas and profit for the companies.

The fifth recommendation is to monitor rapid changes in the BOP market with the development of communication technology and the rapid change of decision-making process of BOP groups. The economic pyramid is evolving into a diamond form with a smaller BOP group and larger middle income class. This is not happening all over the world, but it is the case in the emerging economies such as China, India, South Africa, Turkey, Brazil and Indonesia. Japanese enterprises need to adapt continuously to cope with the rapid changes of the BOP market.

The sixth recommendation is to foster dynamic management modes. Japanese enterprises aim at exploring new markets through organizing the weakly organized BOP group. New business modes need be created. The internal management process will be challenged, which sometimes becomes a barrier of the new management mode.

### **3.5 Summary**

This part reviews China's policies in PAID and compared the PAID with BOP business models. From practices of Chinese companies in the field surveys and literatures of BOP business models in Japanese companies, the advantages and disadvantages for Japanese companies to conduct the BOP business models in China together with suggestions was put forwarded. China's PAID enriches the BOP business model and the BOP business model provides new concept and approach for China's PAID. Suggestions for Japanese enterprises to explore the BOP business model in China are provided including to identify and target advantageous industries, provide the products tailored to the demand of BOP group, enhance human capital of BOP group, understand Chinese policies and seek policy assurance, and cooperate with multiple stakeholders.

## **4 China's Experience on International Poverty Assistance**

### **4.1 Historical Development of China's International Poverty Assistance**

The historical development of China's international poverty assistance can be summarized in four stages: an exploratory stage reflecting political goals in 1950-1978; a stage of emphasizing economic development and cooperation in 1978-2005; an initial stage of thinking on international poverty assistance strategy marked by the establishment of International Poverty Reduction Center of China in 2005-2015; and a formation stage of

international poverty assistance strategy against the background of international development strategy since 2015.

China started its foreign assistance in 1950 when it began to aid North Korea and Vietnam (The State Council, 2011). Before 1978, China's foreign aid was characterized by attaching importance to political security, and its main aid recipients were underdeveloped socialist countries from Asia, Africa and Latin America fighting to get rid of the colonial powers and semi-colonies. From 1950 to 1978, China had 66 aid recipients, of which Vietnam received the largest amount of aid with the longest period. The total amount of aid to Vietnam during this period was more than \$20 billion. Africa was the continent that received the largest aid from China. 45 countries in Africa received China's aid. Main forms of assistance in this period were interest-free loans and free aid including project assistance, technical assistance, material assistance and cash assistance, etc.

After 1978, China adjusted its "one-sided" diplomatic policy, implemented an independent and non-aligned foreign policy, and shifted the focus of its aid work to economic development of the recipient countries. China's foreign aid transformed to promote diversification of aid sources and aid forms. Economic cooperation with other developing countries developed from singular provision of assistance in the past to various forms of mutually beneficial cooperation. In terms of aid modalities, the proportion of free aid, which was mainly for public infrastructure construction in recipient countries, was reduced. New forms to cooperate with enterprises in recipient countries were increased, with both governments providing policy and financial support. The governments provided concessionary loans at a discount rate and expanded. In terms of aid methods, preferential loan projects, joint venture cooperation projects, personnel and technical training programs were carried out. At the same time, China combined aid with trade. Recipient countries paid back the loans with domestic products, providing a practical basis for the development of the way to repay the loans with raw materials and products in the 21st century (FECC, 2018). In 2000, the Forum on China-Africa Cooperation was launched and the China-Africa Development Fund was released afterwards to support investment in Africa by Chinese enterprises. In 2001, the Central Asia Regional Economic Cooperation (CAREC) was initiated and China co-financed it with the ADB and other multilateral institutions in CAREC countries to share its technical and management skills in logistics, infrastructure, economic zones, spatial economic agglomeration, urbanization and public-private partnerships.

The establishment of the International Poverty Reduction Center in China (IPRCC) in 2005 marked the start of China's strategic thinking on international poverty alleviation. On September 25th in 2006, the former Vice Premier Hui Liangyu delivered a speech at the opening ceremony of the 2nd ASEAN-China, Japan and South Korea(10+3) Regional Poverty Alleviation Summit, saying: "The Chinese government supports the International Poverty Reduction Center in China as an important platform for exchange and cooperation in poverty alleviation in the international community especially in Asia. The government will make a full use of this platform to effectively strengthen exchange and cooperation with developing



countries in the field of poverty alleviation, and train poverty reduction officials in these countries.” Through the IPRCC, China's new thinking on international poverty alleviation strategies has been gradually formed, with a focus on summarizing, studying, exchanging and disseminating the poverty alleviation experiences of various countries around the world, promoting exchange and cooperation among the international community in the field of poverty alleviation, carrying out special training and assistance aimed at the actual needs of developing countries in the field of poverty alleviation, and actively develop bilateral intergovernmental cooperation on poverty alleviation. China integrated its international poverty alleviation work with its foreign aid in 2014. The Silk Road Foundation and the Asian Infrastructure Investment Bank was established and then the South-South Cooperation Assistance Fund was announced in 2015. A number of guiding documents were published such as the *Outline of Strengthening Cooperation between China and Africa Union on Poverty Alleviation* and *East Asia Poverty Reduction Cooperation Initiative*. The *East Asia Poverty Reduction Cooperation Initiative* is China's first foreign poverty reduction aid program, with Cambodia, Laos and Myanmar becoming the first set of cooperation countries. The Chinese Ministry of Commerce also began to fund civil society organizations such as the China Foundation for Poverty Alleviation to support their participation in poverty alleviation internationally and to strengthen their capacity-building. China selected Tanzania as a pilot country to establish pilot projects of learning centers in villages for poverty reduction to integrate the four functions of exploring policy advice, collaborative research, capacity-building, and pilot demonstrations towards a "four-in-one" model for poverty reduction cooperation, and to actively follow the *China- Africa Union Cooperation Framework for Poverty reduction*.

At the "High-level Forum on Poverty Reduction and Development" held in October 2015, President Xi Jinping emphasized that: "China will give full support to the role of international poverty reduction exchange platforms such as IPRCC, put forward China's plan and wisdom, and promote the exchange and sharing of poverty reduction experiences among developing countries more effectively." This marked the beginning that China has started to pay attention to the formulation of China's international poverty reduction strategy at the national level. China's international poverty alleviation is mainly through the South-South Cooperation (SSC) mechanism. SSC is useful to ensure the effective integration and participation of developing countries in the global economy and has played an important role in enhancing the role of developing countries and promoting strong, balanced and inclusive growth of the global economy. China has been an active advocate and an important participant in South-South cooperation. In recent years, through the "Belt and Road" initiative, China has put forward efforts to enhance the development and governance capabilities of developing countries in order to build a community of developing countries. It has provided new impetus and vitality for promoting South-South cooperation. In one way, China created various new cooperation platforms for developing countries. In addition to the international poverty reduction exchange platforms like the IPRCC, China also established the Center for International Knowledge on Development under the Development Research Center (DRC),

the Institute of South-South Cooperation and Development of Beijing University, the Center of International Agricultural Research of the Chinese Academy of Agricultural Sciences, the China Belt and Road Institute for Agricultural Cooperation/China Institute for South-South Cooperation in Agriculture of China Agricultural University. In May 2016, the South-South Cooperation poverty reduction knowledge sharing website managed by China's Internet News Center and IPRCC was formally launched, aiming to build a poverty alleviation knowledge sharing platform for South-South cooperation and striving to become an information center for China and international poverty alleviation and development experience. In 2017 IPRCC launched the "demonstration pilots on China-East Asia poverty reduction cooperation" in Laos, Cambodia and Myanmar as well as a bilateral poverty reduction cooperation pilot project in the Philippines. Feasibility studies on poverty reduction cooperation with countries such as Pakistan are also on the agenda. After many years of rapid economic development and remarkable achievements in poverty reduction in China coupled with further improvement of China's international poverty reduction strategy, the international community expects that China can share its poverty reduction experience with the world. In August 2017, the Chinese government formally established the Center for International Knowledge on Development to improve the effective supply and exchange of development knowledge, coordinate domestic and foreign development research resources, carry out research on development theory and practice, organize and exchange research on international development issues such as the achievement of the United Nations Sustainable Development Goals of 2030 by all countries and promote global sustainable development. This marked a new beginning of China's international poverty alleviation and development strategy. The development stages are summarized in Table 6.

**Table 6. Development Stages of China's International Poverty Assistance**

<b>Year</b>	<b>Stage</b>	<b>Approaches</b>	<b>Features</b>
1950-1978	Exploratory stage reflecting political goals	Loans  Free aid	Beginning in 1950 with assistance to Vietnam and the North Korea. Major recipient countries are socialist countries from Asia, Africa and Latin America and semi-colonies countries
1978-2005	Stage of Emphasizing economic development and cooperation	Carried out referential loan projects, joint venture cooperation projects, personnel and technical training programs; recipient countries paid back the loans with domestic products	Promoted diversification of aid sources and aid forms, proportion of free aid was reduced; provided concessionary loans at a discount rate and expanded scale of loans

2005-2015	Initial stage of thinking on international poverty assistance	Established specific organization to work on international poverty assistance, released guiding documents, funded civil society organizations	The establishment of IPRCC as a milestone to summarize, study, exchange and disseminate poverty alleviation experiences of various countries, promote exchange and cooperation among the international community and carry out trainings. Guiding documents were published (e.g. Outline of Strengthening Cooperation between China and Africa Union on Poverty Alleviation)
2015-	Formation stage of international poverty assistance strategy	Relying mainly on South-South cooperation mechanisms, created various new cooperation platforms, enhanced demonstration pilots on village level poverty reduction programs	Established Center for International Knowledge on Development in Aug 2017, demonstration pilots on China-East Asia poverty reduction cooperation, decided to establish the national International Development Cooperation Agency in March 2018

#### 4.2 Current Situation of International Poverty Reduction in China

China's international poverty assistance work relies on three types of agencies: domestic agencies, regional cooperation mechanisms and international multilateral agencies.

Domestic institutions are mainly international centers (divisions) of related ministries and commissions, which are divided into two categories: government agencies including the International Cooperation and Social Poverty Alleviation Division of the State Council Leading Group Office of Poverty Alleviation and Development, the Foreign-funded Project Management Center of the State Council Leading Group Office of Poverty Alleviation and Development, the International Poverty Reduction Center in China, the Center for International Knowledge on Development in China, the Department of Foreign Assistance of the Ministry of Commerce, the Foreign Economic Cooperation Center of the MOA, and related departments of the Ministry of Health; and non-governmental organizations or auxiliary institutions including the China Association of Poverty Alleviation & Development (CAPAD), the China Foundation for Poverty Alleviation, the Overseas Cooperation Department of China Youth Development Foundation, and research centers for poverty alleviation and development of colleges and research institutes, such as the China Anti-Poverty Research Institute at Renmin University of China.

In addition to domestic institutions and agencies, China gradually advocates the establishment of regional platforms for the implementation of international poverty

alleviation work. China has recently initiated a number of such initiatives, including the Forum on China-Africa Cooperation (FOCAC), the Belt and Road Initiative, the South-South Cooperation Assistance Fund, the ASEAN-China, Japan and South Korea (10+3) Regional Cooperation, and regional development banks such as the Asian Infrastructure Investment Bank. Through these regional platforms, China has set up regional development funds to support poverty alleviation schemes and encourage Chinese enterprises to invest abroad. For instance, in the China-Africa "Ten Cooperation Plan", in which China promised to provide \$60 billion to support, the plan of poverty reduction is included. The 60-billion RMB aid in the Belt and Road initiative on livelihood projects is an important part of international cooperation. With China's initial aid of \$2 billion, the South-South Cooperation Assistance Fund includes 100 poverty reduction projects out of the "six-one hundred" plan. China has also set up specialized poverty reduction demonstration cooperation projects to carry out foreign assistance.

International multilateral agencies include the UN agencies such as UNDP, IFAD, WFP, FAO, the Development Assistance Committee of the Organization (DAC) for Economic Co-operation and Development (OECD), and the International Development Association of World Bank Group. As a permanent member of the United Nations and a member of the World Bank, China attaches increasing importance to cooperation with international multilateral institutions. In 2007, Chinese government pledged to donate US \$30 million to International Development Association for the first time. In 2008, China set up a \$30 million FAO-China Trust Fund and in 2014 pledged \$50 million to support food security and sustainable agricultural development in developing countries. However, China is still not a member of the DAC. Currently, the cooperation on poverty reduction with international multilateral institutions mainly involves two parts: first, the establishment of China Trust Funds to support finance investment projects, operations, knowledge development and human resources cooperation at the global and regional levels; second, the sharing of knowledge and exchange of experiences with international institutions to promote the sharing and dissemination of poverty reduction experiences in developing countries. The three types of institutions are listed as in Table 7.

**Table 7. Three types of agencies in China's international poverty assistance**

Type	Agencies	Major work
Domestic agencies	The State Council Leading Group Office of Poverty Alleviation and Development, IPRCC, The Ministry of Commerce, Ministry of Agriculture, Ministry of Health, China Association of Poverty Alleviation & Development (CAPAD), China Foundation for Poverty Alleviation, Research centers for poverty alleviation and development of colleges and research institutes	Plan for international poverty reduction, conduct the international poverty assistance programs in the functional fields, summarize and share the international experiences in poverty reduction

Regional cooperation mechanisms	Forum on China-Africa Cooperation (FOCAC), Belt and Road Initiative, South-South Cooperation Assistance Fund, ASEAN-China, Japan and South Korea (10+3) Regional Cooperation, Asian Infrastructure Investment Bank, Regional economic cooperation in Central Asia, BRICs National Development Fund	Mobilize resources and encourage regional cooperation for poverty reduction, support Chinese enterprises to invest abroad, set up cooperative development plans such as China-Africa "Ten Cooperation Plan"
International multilateral agencies	The United Union OECD-DAC (China is not a member) The World Bank	Donate and support finance investment projects, operations, knowledge development and human resources cooperation at the global and regional levels, Share knowledge and exchange experiences with international institutions to promote the sharing and dissemination of poverty reduction experiences in developing countries

**Key Elements of China's International Poverty Assistance.** China promotes development-oriented poverty alleviation in domestic poverty alleviation work, attaches importance to the development of agriculture especially the development of labor-intensive industries, and increases income by creating employment. In international poverty alleviation, China follows its domestic experience and applies it to international poverty alleviation. At present, the key elements of China's international poverty alleviation can be divided into six aspects as described in Figure 4.

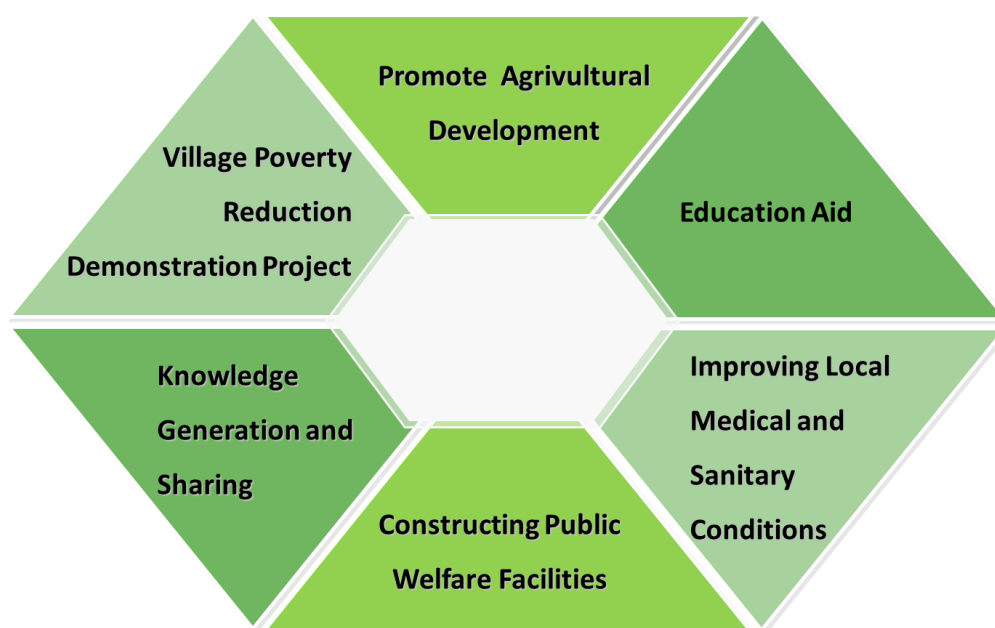


Figure 4. Key Elements of China's International Poverty Assistance

*Promoting the Role of Agriculture in addressing Poverty.* Based on China's experience in development-oriented poverty alleviation, China proactively assists other developing countries in enhancing their agricultural productivity by building agricultural technology demonstration centers, dispatching agricultural experts to provide advice and technical cooperation in host countries, and training agricultural technicians and managers. These are conducive to an effective response to food crises and poverty alleviation. At present, China has built 25 agricultural technology demonstration centers in African countries as listed in Table 5, conducted nearly 300 research and training projects, and trained nearly 7,000 agricultural officials and technicians.

Agricultural technology demonstration center is an important platform for China's foreign assistance in the field of Agriculture. Through experiments, demonstrations and training, China popularizes advanced and applicable agricultural production techniques to local people. Agricultural technology demonstration centers are responsible for agricultural technology demonstration, technology transmission, and mutual benefit and so on, aiming at improving food security level and agricultural production capacity of the recipient countries. The construction and operation of the demonstration center can be divided into three stages. The first stage is the construction phase, which is supported by Chinese government. Chinese enterprises and institutions take part in the construction and the construction cycle is usually two years. Upon completion, the demonstration center will be handed over to the recipient government and will enter the second and third phases of the operation period. The second stage is the three-year technical cooperation period, during which the construction and operation costs will be assisted by the Chinese government without compensation. The third stage is the period of independent operation and cooperation, during which Chinese government no longer provides aid funds, and the agricultural technology demonstration center operates independently and is responsible for its own profits and losses. Agricultural technology demonstration center has become China's most representative form of foreign agricultural assistance. A case from Zimbabwe is provided to introduce the mechanism and activities conducted in the Agricultural Technology Demonstration Center.

**Box 4.1 Case of Zimbabwe Agricultural Technology Demonstration Center Assisted by Beijing Debang Dawei Co., Ltd.**

Zimbabwe agricultural technology demonstration center assisted by Beijing Debang Dawei Co., Ltd. was set up in 2012. Its business activities include large-scale planting, construction of agricultural machinery maintenance and accessories center, contract farming, renting agricultural machinery, and technical management services, taking advantage of technical advantages. Part of the profit is used for supporting the operation and public non-profit activities.

The Ministry of Agriculture of Zimbabwe has established a management team composed of the Director and Deputy Director of the Department of training and Education, the Deputy

Director of the Department of Agricultural Mechanization and the principal of the Gwebi Agricultural School, supported by the demonstration center, to provide direct guidance on annual training plan, training activities for the center, to coordinate the visits and participate in various agricultural exhibitions and other activities. Meanwhile, Debang Dawei has developed the demonstration center into a platform for Chinese enterprises to enter Zimbabwe and southeastern Africa for information, technology and talents haring. With China's overseas agricultural development industry alliance as the main body, and in conjunction with relevant enterprise groups to carry out agricultural investment and development in Zimbabwe and Africa, Debang Dawei tries to build the whole value chain from agricultural resources, machinery, production, processing, storage, transportation to distribution in overseas. By the end of 2016, the demonstration area of the center had reached 3800 hectares. More than 3, 000 persons were trained through various forms of visiting, training, specific lectures, etc.. Nearly 100 on-site demonstrations were organized, and 35 delegations of Chinese and Zimbabwean government officers visited the center. International organizations such as the Food and Agriculture Organization of the United Nations, the World Food Programme, the Bill Gates Foundation, and 22 international delegations of scholars visited. The center becomes a platform for China's agricultural investment and cooperation in Zimbabwe, and is considered as one of the role model for the agricultural cooperation among China and developing countries (Liu, H. 2016).

**Table 8. Agricultural Technology Demonstration Centers in Africa Built by China**

Country	Institutions	Implementation progress	Main varieties
Tanzania	Chongqing China-Tanzania Agricultural Development Co., Ltd.	Handed over in April 2011; started technology cooperation in March 2012	Rice, maize, vegetables, tissue culture, layer farming
Rwanda	Fujian Agriculture and Forestry University	Started technology cooperation in April 2012	Rice, early season rice, silk worm, fungus grass seed, mushroom
Ethiopia	Guangxi Bagui Agricultural Science and technology Co., Ltd.	Handed over in June 2012; started the stage of independent management and cooperation in November 2015	Maize, wheat, vegetables, pasture, flowers and plants, edible fungi
Uganda	Sichuan Overseas Chinese Phoenix Group	Started technology cooperation in December 2010	Aquiculture
Burundi			Rice, maize, horticulture
Benin	China Agriculture Development Group	Started technology cooperation in February 2011, and has entered the stage of independent management and	Maize, vegetables, layer farming

		cooperation	
Togo	Jiangxi Huachang Infrastructure Engineering Co., Ltd.	Started technology cooperation in April 2011	Rice, maize, vegetables
Liberia	Yuan Longping Agricultural High-tech Co., Ltd.	Started technology cooperation in January 2011	Rice, maize, vegetables, tissue culture, layer farming, pig breeding
Mali	Jiangsu Bauhinia Textile Technology Co., Ltd.	Started construction in July 2012	Jute, rice, maize, cotton
Mauritania I			Rice, maize, wheat, vegetables, methane
Mauritania II	Mudanjiang Yanlin Manor Technology Co., Ltd. in Heilongjiang Province	Started construction in November 2012; technology cooperation was confirmed by the MOU in December 2015	High-yield dairy cow culture, forage planting and processing, dairy processing, solar power generation
Zambia	Jilin Agricultural University	Started technology cooperation in March 2012	Maize, soybean, wheat, peanut, fertilizing, plant protection
Mozambique	Bureau of Agriculture and Reclamation in Hubei Province	Handed over in July 2011; entered the stage of independent management in May 2015	Hybrid rice, maize, vegetables, seedling cultivation, seed, livestock and poultry breeding
South Africa	China Agriculture Development Group	Set up in January 2011; technical training program approved by the Ministry of Commerce	Freshwater breeding, breeding techniques
Zimbabwe	Menoble Technology Co., Ltd.	Set up in October 2011	Potatoes, maize, wheat, soybean, high-yield culture technique, mechanized high-yield cultivation, agricultural technology training
Angola		Signed protocols in October 2012	Rice, maize, beef
Malawi	China-Africa Cotton Malawi Co.	Started construction in July 2012	Rice, maize, cotton
Sudan	Shandong Foreign Economic and Technical Cooperation Group, Shandong Academy of Agricultural Sciences	Handed over in June 2011 and started technology cooperation	Maize, wheat, cotton, peanut, oil sunflower, soybean
Cameroon	Shaanxi Agricultural Reclamation Group Co., Ltd.	Started technology cooperation in April 2010	Rice, maize
Congo (Burundi)	Chinese Academy of Tropical Agriculture	Started technology cooperation in January 2012	Cassava, vegetable



Congo (DRC)	Subsidiary of Zonergy in Congo (DRC)	Started construction in August 2012; handed over in September 2014	Rice, vegetable, grain, palm
Central African Republic	China Shanxi International Co., Ltd.	Signed protocols in February 2012; completed construction in December 2012	Maize, upland rice, cassava, vegetable, layer farming, methane
Equatorial Guinea	Jiangxi Gan Grain Industry Co., Ltd.		Rice, banana, vegetable, sweet potatoes, cassava
Madagascar	Hunan Academy of Agricultural Sciences		Rice
Cote d'Ivoire		Feasibility study completed in 2012	
Eritrea		Signed <i>Exchange of Notes on the Project of Assisting Eritrea Agricultural Technology Demonstration Center</i> in May 2012	

Source: Ministry of Commerce.

*Placing an Importance of Education Aid.* While helping other developing countries to improve their education, China has promoted the role of education by supporting the establishment of vocational education institutions, providing training equipment, supporting the development of vocational and technical education, training teachers, and increasing the number of government scholarships for foreign students to study in China. In the recent years, China's educational assistance to developing countries has been increasing, especially the Chinese Government Scholarship Program for studying abroad. Taking the Graduate School of the Chinese Academy of Agricultural Sciences as an example, in 2017, among the approximately 5000 students, 203 were international students. The number of international students and that of Chinese government scholarship winners from Pakistan, Bangladesh, India, Vietnam, Ethiopia, Sudan, Fiji and other developing countries increased by 53.7% and 50.7% respectively compared with in 2016.

*Improving Local Medical and Sanitary Conditions.* China provides various supports to other developing countries to enhance their medical and health conditions, raise the level of disease prevention and control, and strengthen public health capacity-building. Examples include aiding the building of hospitals, providing medicines and medical equipment, dispatching medical teams, training medical personnel, and carrying out exchanges and cooperation with other developing countries to prevent and control diseases. By 2015, Chinese government had built more than 180 medical and health package projects for developing countries. By February 2017, China had sent medical teams to 66 countries in Africa and other regions.

*Constructing Public Welfare Facilities.* In order to support other developing countries to improve the living conditions of local people, China actively aids the construction of urban

and rural public welfare facilities as well as affordable housing and social venues, provides related equipment and materials, and conducts technical cooperation in operation and management.

*Knowledge Generation and Sharing.* China actively develops platforms for knowledge sharing to share China’s poverty alleviation experience with the world. The International Poverty Reduction Center in China offers training courses on poverty reduction and development and conducts capacity-building projects. At the same time, China takes advantage of cooperative mechanisms and platforms such as cooperation forums and summit meetings (Table 6) to exchange experience in reducing poverty and responds to the development needs of each region through collective consultations. Different programs are formulated according to the regional focus of poverty reduction, while strengthening the partnership to achieve mutual benefits.

**Table 9. Major international forums China participated on poverty reduction**

<b>Conference/Forum</b>	<b>Time</b>	<b>Place</b>
World Congress on Poverty Reduction	March	Cities in developing countries (rotation)
ASEAN-China Forum on Social Development and Poverty Reduction	July-October	Different cities in ASEAN and China
China-Africa Advanced Seminar on Shared Development Experiences	September-October	Beijing, China
High-level Forum on Poverty Reduction and Development	October	Beijing, China

*Implementation of Village Poverty Reduction Demonstration Project.* China has implemented the method of poverty reduction promoted by the whole village. One of the important experiences in achieving poverty reduction at the village level is to motivate strong leadership and organizational mobilization ability at the village level, and the villagers are highly involved in economic activities. The implementation of poverty alleviation demonstration project at the village level is to combine Chinese experience with the rural reality of partner countries, and to closely link top-down policy formulation with bottom-up development to achieve poverty reduction through the participation and guidance of rural grassroots.

**Table 10. Poverty Reduction Demonstration Cooperation Project Assisted by China**

<b>Project</b>	<b>Start time</b>	<b>Main content of cooperation</b>
China-Tanzania Village poverty reduction demonstration cooperation project	April 2011	Demonstrating China's experience in poverty reduction driven by agricultural and rural development, including the technology system for low-cost smallholder production, mechanisms for poverty reduction at the rural community level, and sustainable development of farmers' livelihoods.
China-Mozambique poverty reduction cooperation center	July 2012	
China-Laos poverty reduction demonstration cooperation project	December 2016	Improving local rural roads, safe drinking water, public service facilities such as health clinics and learning centers; providing financial and technical assistance for the development of local traditional plantations, aquaculture, handicrafts and rural tourism.
China-Cambodia poverty reduction demonstration cooperation project	December 2017	Cooperating in two project villages of Swamp Township in Kandaan Province, including roads, safe drinking water, public service facilities, community environment, etc.; supporting local planting and breeding; sending experts for technical training.
China-Myanmar poverty reduction demonstration cooperation project	February 2018	Based on the working experience of "Entire village advancement program " in poverty alleviation and development in China, this project integrated community development with the financial and technical support provided by Chinese government.

**Box 4.2 Case of learning center for poverty alleviation in Peja Peja Village, Morogoro Province, Tanzania**

Peja Peja Village, located in Kilosa County, Morogoro Province, Rudewa Township, is a representative poor village in Tanzania. The learning center for poverty reduction in Peja Peja Village launched in April 2011 is the first village-level demonstration project established in Africa by the China International Centre for Poverty Reduction (IPRCC). The project was managed by the community residents, and the project management group was formed by 25 members of the village committee and representatives of the sisal farms of the China-African Agricultural Investment Corporation to provide management and guidance for the implementation of the

project. The goal of this center is to trial and demonstrate the key experience of poverty reduction driven by agriculture and rural development in Tanzania from the field, including low-cost smallholder production technics, poverty reduction mechanisms at rural community levels as well as sustainable development for farmers' livelihoods, good practices for learning China's poverty reduction experience.

This project created a "four-in-one" model through integrating the four functions of providing policy advice, collaborative research, capacity-building and pilot demonstrations.

- 1) Policy advice, which provides policy advice for the Central Government of Tanzania. During 2011-2014, strategic seminar was held in Tanzania every year, three of which were chaired by the President or Prime Minister, which brings very positive impact for policy making in Tanzanian.
- 2) Collaborative research, which identifies Chinese experience to be shared and localized, such as the experience to develop small- and medium-sized enterprises to increase employment.
- 3) Capacity-building. Each year, Tanzanian organizes delegations including policy makers, researchers and community leaders to China, and Chinese experts are also organized to visit Tanzania for exchanges.
- 4) Pilot demonstrations. Some activities including establish village committee, improving small-scale irrigation and drinking water facilities, planting and breeding demonstration, encouraging participation through Chinese featured "Awards for increasing production", are organized. Those activities prove the duplicable of Chinese experiences and demonstrates the path of developing labor intensive agricultural in the beginning of China's reform and opening up. At the same time, it also explores the ways to mobilize African farmers and to establish a new interactive government and community cooperation. (Huang, C. 2015).

### **4.3 Lessons and Challenges of China's International Poverty Assistance**

There are a number of lessons from China in international poverty assistance. The first is to build political mutual trust by emphasizing no conditionality of its international assistance. Unlike international aid on a grant basis, China hopes to promote local economic development through economic cooperation, develop mutually beneficial economic and trade cooperation, and realize the economic development of donor countries. This will lead to an increase both in the fiscal revenue of the recipient governments in poverty alleviation capacity of the beneficiary countries, and at the same time the income of people in recipient countries, which helps achieve poverty alleviation and mutual benefit.

The second lesson is to emphasize the role of agriculture in reducing poverty and promoting agricultural technology transfer. Based on its domestic poverty alleviation experience, China has focused on development-oriented poverty alleviation, by vigorously developing agricultural development, especially advantageous products and labor-intensive industries, and achieving poverty reduction by increasing farmers' income. China has also extended this experience to international poverty alleviation work, which vigorously promotes agricultural development in recipient countries. China's development experience shows that the growth of agricultural productivity, especially of smallholder farmers, is conducive to

overall development and poverty reduction. Maintaining a high level of agricultural growth requires incentives for smallholder farmers in developing countries, including securing land rights, strengthening input and output market building and improving access to extension services (Chen et al. 2014). The core function of agricultural technology demonstration centers where China conducts its foreign agricultural assistance is the demonstration, training and transfer of agricultural technology. In foreign assistance, China shares its experience in agricultural R&D investment, and help the recipient countries develop their agriculture through agricultural technology transfer.

The third lesson is to stress infrastructure investment and promote economic structural transformation. In foreign assistance, China attaches importance to promoting economic growth through investment in infrastructure construction, and encourages developing countries to take advantage as latecomers to achieve faster economic transformation. China's Silk Road Fund, the Asian Infrastructure Investment Bank and other major work through infrastructure investment are aiming to increase connectivity and promote coordinated development.

The fourth lesson is to involve the private sector in international poverty assistance and develop a diversified partnership. With the further development of China's market economy, there has been a rapid expansion of private companies, especially with emerging international corporations from China. This development has opened up new financial channels and poverty alleviation approaches. China's international poverty assistance is mainly involved with domestic government departments, relevant government departments of the host country and Chinese domestic companies, especially in agricultural development projects. Such public-private triangular partnerships can improve stakeholders' participation, overcome structural barriers and enhance transparency (Buckley 2013). The substantial involvement of the private sector has changed the mode of agricultural technology demonstration centers by adopting a whole industrial chain development approach. Risk management and innovation in R&D is enhanced and enterprises are more easily integrated into the local community. In addition, China has continuously strengthened cooperation with international organizations in the recent years through direct funding and promotion of international poverty alleviation governance with the aid of international organizations.

China's international poverty assistance also faces a number of challenges. First, there is a lack of strategic consideration of China's aid policy in general and no systematic planning for its international poverty reduction work. Compared with international aid strategies in developed countries such as the United States, Japan, Germany and Switzerland, China needs to develop long-term strategic planning for foreign assistance in a global perspective and to consider poverty reduction as one of the strategic objectives. After the "Belt and Road" initiative was put forward, China is now connected with a wider range of countries. Close ties with various countries have been deepened, and the field of cooperation between countries has gradually expanded. China needs to have an overall vision to formulate long-term strategic plans for foreign assistance that clarify the political, economic, social, religious and

geopolitical challenges, risks and opportunities that may be encountered in the future, as well as measures to meet the challenges and seize the opportunities to increase the feasibility of a poverty reduction strategy.

Second, there is a lack of evidence-based research to promote China's international poverty alleviation experience. In the process of development, China emphasizes the gradual exploration of the benefits of alternative policies through careful experimental design and implementation of policies. In order to successfully formulate specific policy innovations, policymakers in other developing countries can initiate systematic field trials in selected areas before popularizing the Chinese experience on a national scale and promote more successful experience, while the lessons of failure will be used for learning purposes. China's international poverty assistance still requires evidence-based research to assess lessons learned in practice and translate them into effective policies. In order to ensure the reliability of the program, evidence-based methods should be used in the decision-making process, and investment in information collection, monitoring and evaluation and summary should be increased. In order to ensure the reliability of a program, evidence-based methods should be used in decision-making. Investment in information collection, monitoring should be increased to improve the ability of evaluation and summarizing.

Third, non-government organizations against poverty need to be developed. Strong government support of China provides political guarantee for China's efforts to mitigate poverty. Poverty alleviation is an important component of the national plan on reform and development, supported by a properly coordinated governance structure. The top-down mechanism effectively ensures critical resource and financial investment, as well as safeguards from laws and regulations. By contrast, different political systems make it difficult for many countries to replicate or learn from government-led efforts of China to mitigate poverty. At the same time, almost all of China's organizations and institutions involved in international cooperation in the field of international assistance and poverty alleviation are official or semi-official, which in many cases have caused some controversy for China's foreign assistance and cooperation. Compared with the aid from the developed countries, China's development assistance is dominated by state-owned enterprises, while the private sector, non-governmental and social organizations play very insufficient roles. Cooperation with international institutions needs to be greatly expanded.

Fourth, there is a lack of internationally qualified personnel in fighting poverty alleviation. At present, most of the Chinese personnel engaged in foreign assistance and international poverty reduction cooperation have not received basic training in international development and lack systematic training for international development talents. One of the obvious manifestations of shortage is that few of the Chinese managers involved in international assistance and poverty reduction projects have knowledge about rules of international governance, which often leads to unsustainable or failed assistance projects. Meanwhile, recipient countries usually lag behind in economic development, and project areas are usually located in hush natural conditions. Insufficient attention has been paid to the

poverty alleviation personnel abroad, and the incentives to make them work effectively are very much lacking.

Fifth, there has been rather lackluster participation by recipient countries. Cooperation between China and recipient countries are usually between governments, occasionally involving local enterprises but with fewer forms of integration with local population, which prevents the social or political actors of those countries from taking ownership of the process and lessens the government's responsibility to them. Community participation is key to the implementation of programs in beneficiary countries (Cheikh Tidiane Dieye, 2013), but Chinese projects have experienced clear shortcomings in this. In addition, due to the existence of language barriers and cultural differences, there is insufficient communication between China's international cooperation projects and local communities. As there lacks the participation of international non-governmental agencies or organizations in poverty alleviation, it is very difficult to connect with local communities in carrying out international poverty alleviation work. China still faces many challenges in participatory international poverty alleviation.

Sixth, there is insufficient communication with the international community. China's international cooperation in international poverty alleviation is mainly through financial support and sharing experiences, but there is little cooperation and lack of communication in the design of poverty alleviation or development of poverty alleviation projects. China should pay more attention to cooperate with foreign and international research institutions and increase public investment in technology research and development worldwide, especially in developing countries. To put equal emphasis on external capital and equipment investment abroad, China should cultivate long-term partners in the field of technology and policy, especially to strengthen long-term research and increase the number of technical personnel sent to developing countries, which allows for sustained technical, economic and cultural research and stable communication with the poor. Meanwhile, the internationalization of China's poverty alleviation experience is often embodied in the form of infrastructure construction or technology transmission, while the content of ideas, concepts and methods is less implemented in international practice. China needs to further strengthen communication with the international community especially with international institutions, learn from international experience and share China's experience.

#### **4.4 Applicability Analysis of Chinese Experience for Other Countries**

There are some unique features in China's international poverty assistance. First, the government commits strong support which is similar as the domestic poverty alleviation effort. Second, China highlights the role of economic growth in domestic and international poverty alleviation as China has adopted a development-oriented approach to poverty alleviation. Trade, infrastructure construction and foreign investment are also important for reducing poverty. China's emphasis on foreign poverty alleviation is "exchange and cooperation" rather than "aid", and is based on the spirit of equality and mutual benefit. Third, China's major form is to strengthen

bilateral development cooperation with developing countries with political mutual trust compared with multilateral assistance from Western countries.

Meanwhile, some of China's experiences are replicable for other countries. First, China emphasizes the role of agricultural development in poverty reduction. There are some good practices from agricultural technology demonstration center projects, including the labor intensive farming for smallholders and localized low cost cultivation such as adoption of improved varieties, rational close planting with planting rope, etc. Second, China emphasizes the capacity building and comprehensive development through the village poverty reduction demonstration projects. Participatory approach to involve local community governance committee in making decisions, link the local government, experts and communities and target the poor with improvement of the capacity through training and demonstration, and investment in road, irrigation, and living facilities are some of the good approaches. Third, China involves the private sector in international poverty assistance and develop a diversified partnership. The participation of private sector extends the development in the whole value chain especially in processing, logistics and distribution, brings in innovative investment channels and enhances the risk management, explores diversified partnerships such as the combination of national aid and enterprises investment, enterprises and farmers' contract farming, and improves the technology R&D capacities.

#### **4.5 Balance of International and Domestic Poverty Alleviation in China**

Despite the tremendous achievements in poverty alleviation, China's domestic poverty alleviation still faces several challenges as mentioned in section 2.3. Domestic poverty alleviation in China remains a key task for the nation's economic and social development. At the same time, China has rapidly increased its assistance to other developing countries in fighting poverty. While the general population raises an issue of why invest in the foreign poverty reduction when China still face tremendous number of population under poverty. The government of China believes that, actively participating in international poverty assistance, China creates favorable environment for domestic poverty alleviation as well. First, the investment in international poverty alleviation benefits China's economic development. China's investment in infrastructure construction in and trade with the assisted countries bring in positive impact of the both economies which can indirectly contribute to poverty reduction. Meanwhile, higher income in assisted countries will also expand China's foreign market. From this perspective, participation in international poverty alleviation can achieve mutual benefit. Second, China's participation in international poverty alleviation can contribute in enriching good practices and international lessons. Learning from the international communities and improving the governance capacity contributes to China's domestic poverty reduction achievements. With the increasing involvement in international poverty reduction, China is on one hand sharing its experience to the world and meantime keeping learning from the global experiences. It is expected that the future international aid and poverty governance will incorporate new approaches from emerging donors and build a new structure through mutual learning. (Sebastian & Helmut 2010).



#### **4.6 Prospective of China's International Poverty Assistance**

2017 was a turning point for China's international poverty assistance. China has proposed in the 19th National Congress of the Communist Party of China that it will actively promote international cooperation through "Belt and Road", strive to achieve policy communication, connectivity of facilities, smooth trade, financial facilities, mutual understanding among the people, and to create new platforms for international cooperation. China promised it will step up assistance to developing countries and narrow the development gap between the North and the South. These demonstrate China's broader global vision and desire to play a greater role in the international community. In practice, with the holding of many diplomatic activities and the establishment of a series of foreign assistance funds, China is likely to become a new global leader in the field of international poverty alleviation.

Facing new international situations and new targeted tasks, China's foreign assistance needs to make strategic and policy adjustments to adapt China's position as a new global leader. First, in order to meet strategic needs of the national or international community and guide the improvement of people's livelihood, China will explore the applicability of China's successful experience of poverty alleviation in foreign countries. In addition to further strengthening the exchange of poverty reduction training, continuing to carry out livelihood improvement projects, further improving the transformation and China's poverty reduction knowledge sharing platform, China will carry out more poverty reduction cooperation projects. There is also a need to broaden the more unitary way of internationalizing China's poverty reduction experience, and to strengthen the implementation of demonstration projects on poverty reduction at the village level so that China's poverty reduction experience can be adapted locally.

Second, it needs to establish a highly centralized system of assistance with strategy, resources, coordination and supervision. From the perspective of a new potential global leadership, China needs a large system of foreign assistance that is highly centralized in strategy, resource coordination and supervision. This system should unify assistance to multilateral, bilateral, non-governmental and business entities within a single framework, which means to integrate the resources of the Chinese government, international agencies, bilateral or multilateral assistance agencies, and to form synergies in practice. In the 13th National People's Congress in 2018, China announced that an international development cooperation agency will be set up. Such a move will enhance strategic planning and overall coordination of foreign aid, boost the unified management of foreign assistance missions and reform and optimize the country's methods of offering foreign aid.

Third, China's foreign assistance needs to advocate cooperation and sharing with partners to develop comparative advantages for all. It is undeniable that China's participation in international poverty assistance is not entirely altruistic. To achieve a mutually beneficial win-win outcome, China should strive to seek common interests with its partner and regard them as partners of development rather than as recipients, give play to their comparative

advantages, realize economic complementarity and contribute to the diversification of global poverty alleviation cooperation. In the development of bilateral South-South cooperation, both sides will benefit from commercial transactions if the two sides can reach agreement. Trade, assistance and investment can also be better integrated.

Fourth, it should integrate capital through the management of new multilateral financial institutions. China will gradually play a leading role in the New Development Bank and the Asian Infrastructure Investment Bank, increase the transparency of financial institutions, strengthen internal governance, take advantage of multilateral financial institutions to spread risks, pool capital at development bottlenecks in developing countries to improve efficiency and return on capital allocation.

The fifth policy adjustment is to pay more attention to the role of sustainable development, and to attach importance to green development for current and future projects. Green development is considered as part of aims in international assistance. There are important complementarities between green development and poverty alleviation, such as the introduction of more efficient infrastructure (such as water and transport) for people and technologies that reduce costs and improve productivity, and the mitigation of adverse health problems associated with environmental degradation and environmental pressure.

#### **4.7 Summary**

Since the establishment of the International Poverty Reduction Center of China (IPRCC) in 2005, China has begun to frame the international poverty reduction strategy. In recent years, under the South-South cooperation mechanism, and marked with the establishment of the International Development Knowledge Center of the State Council and China National International Development Cooperation Agency, China's international poverty reduction strategy has gradually formed. China's international poverty assistance work relies on three types of agencies: domestic agencies, regional cooperation mechanisms and international multilateral agencies. Key elements of China's international poverty alleviation includes agricultural development, education aid, medical and health assistance, public welfare facilities construction, knowledge sharing, and poverty alleviation demonstration projects at the village level. Lessons of China's international poverty assistance mainly reflect in building political mutual trust and attach great importance to the role of economic development in poverty alleviation; emphasizing the role of agriculture in reducing poverty and promoting agricultural technology transfer; strengthening industrial cooperation, promoting the development of labor-intensive industries and creating more employment opportunities; stressing infrastructure investment and promote economic structural transformation; and involving the private sector in international poverty assistance and developing a diversified partnership. China's also faces a number of challenges including lack of strategic and systematic planning for international poverty reduction; lack of evidence-based research to promote China's international poverty alleviation experience; lack of NGO and civil society's participation; lack of qualified personnel in international

development and poverty alleviation; lack of local participation in assisted countries; and insufficient communication with the international community. In the future, the newly formed International Development Cooperation Agency will take the role in strategic planning, resource coordination and supervision for international cooperation. The fields for improvement of people's livelihood, including education, health, and nutrition will be enhanced. China will explore the applicability of its successful experience in foreign countries. It can also be foresighted that China will play a rising and leading role in international poverty alleviation. China will also emphasize sustainable development and taking green development into consideration for current and future projects.

## **5 Major Findings and Recommendations**

### **5.1 Major Findings**

Though China has witnessed a significant decrease of the poor population since 1978, there were still 30.46 million rural poor by the end of 2017, with a poverty incidence of 3.1%. Per capita disposable income of farmers increased substantially during the 12th Five-year Plan, while income inequality is also on the rise. Rural poverty is distributed unevenly across China. Over half of China's rural poor are living in the western part of the country, which has the highest poverty incidence. Guizhou, Yunnan and Henan are the three provinces with the largest share of poor population nationwide. Among the 14 contiguous poor regions which accounts for 50 percent of the total poor population in rural China, the three regions with the largest share of poor population are the Yunnan-Guizhou-Guangxi rocky desertification region, the Wuling mountainous area, and the Wumeng mountainous area. It is challenging for the poor in these regions to get rid of poverty as planned.

Using multidimensional non-monetary measures to capture various deprivations facing poor people, the deprivation of education contributes the most to overall poverty, followed by the deprivation of health and living conditions, indicating the importance of social services and protection in the areas of education and healthcare. China's rural poverty in the aspect of living conditions is mainly shown as the deprivation of sanitation, energy for cooking, bathing facilities, amount of durable assets and communication. Considering the age groups of rural poor, the national trend is that those under the age of 15 with per capita household income below the poverty line accounted for the largest share. There are also differences among regions. The eastern and northeastern regions showed trends of middle-aged and elderly income poverty, while the central region featured elderly and child income poverty, and the western region showed child income poverty.

Though China has no systematic measure on urban poverty, the problem of urban poverty was believed to have manifested itself on a large scale after the restructuring of state-owned enterprises during the 1990s. However, according to the minimum living allowance for urban residents, the number of beneficiaries kept declining since 2011. By the end of 2016, there were 16.5 million urban poor nationwide, accounting for less than 2% of

total population and a quarter of the total poor population. It is anticipated that the urbanization of poverty will replace rural poverty as a worrying trend with the decline of rural population.

The development stages of China's anti-poverty policies are marked by relief-oriented strategy, development-oriented strategy, and the combination of development and social protection, successively. Equal emphasis is placed on increasing the income of poor people and strengthening protections regarding education, healthcare, and housing. Rural land reform is the most critical institutional innovation. With the introduction of precise poverty alleviation, targeted measures zoomed in from contiguous regions to counties, towns, villages, and then to poor households, enhancing the effectiveness of policy implementation.

The vertical dimension of poverty alleviation governance features clear responsibility and strong leadership. However, township- and village-level governance were weak points to the implementation of poverty alleviation strategies in China. In terms of horizontal governance, problems still hinder interdepartmental cooperation, especially when it comes to the connection of poverty alleviation and minimum living allowance policies. Constantly increasing anti-poverty investment is a major engine for poverty reduction, but there are still concerns over the sustainability of large-scale poverty alleviation investment from the central level, the effectiveness of financial risk management, as well as the possible crowding-out effect of increasing rural investments in social safety nets for low-income population. In the meantime, China faces continued challenges when the country enters the era of urbanization and an aging society. Rural-urban segmentation in terms of poverty alleviation governance leads to the present complicated situation where gaps exist between rural and urban public service and social safety net. Poverty status of migrant workers has long been overlooked. Interdepartmental cooperation in implementing poverty alleviation policies remains a problem. Current poverty alleviation frameworks tend to neglect the importance of social protection and the real needs of poor people. Social participation, especially the role of the private sector is relatively weak.

China's success in poverty reduction is characterized by strong government support, rural land reform, rapid economic growth, and a development-oriented approach, especially poverty alleviation through industrial development. Precise poverty alleviation is the key at the current stage. It places emphasis on accurately targeting poor households and individuals. Besides, innovations in anti-poverty strategy, governance, and financial management are particularly meaningful to rural development. China also adjusts the overall poverty alleviation strategy at different development stages while actively participating in international cooperation.

Development oriented poverty reduction is the most innovative approach adopted in China in its fight against poverty since 1980s. Poverty alleviation through industrial development is the most important approach as mentioned in China's *13th Five-Year Plan on Poverty Alleviation* to help more than half of the rural poor population out of poverty by 2020.

The PAID approach enables poor households to enter the industrial chain dominated by new business entities and realizes the sustained and stable increase of income. According to ways the poor were involved, PAID can be divided into four types: the production-driven model, the employment-driven model, the asset income generation model and the hybrid model.

Compared with BOP business models of advocating cooperation between the poor, civil society organizations, governments and large enterprises, and of market-based poverty alleviation as well as treating BOP groups as consumers, producers and business partners, there are similarities and differences between poverty alleviation through industrial development and BOP business models. The common points are paying attention to the poor people, attaching importance to market-oriented and industrialized ways to integrate the enterprises with the poor, involving the poor into industrial chain development, improving the industrial development ability of the poor population, and paying attention to the role of the market and the enterprise. The difference lies in their target groups because of different identification standards. Roles of government are also different. Government plays a key role in poverty alleviation through industrial development, while in the BOP business models government has a limited role. Moreover, BOP business models are also concerned about the consumption of the poor.

Japanese enterprises face opportunities and challenges of the development of BOP business models in China. Three field missions in the provinces of Sichuan, Guizhou and Ningxia were conducted to assess a feasibility of applying different BOP business models that Japanese companies have accumulated experiences. To implement BOP business models for Japanese enterprises in China, the enterprises need to identify and target advantageous industries, provide the products tailored to the BOP demand, enhance human capital of BOP groups, understand Chinese policies and seek policy assurance, and cooperate with multiple stakeholders.

China's international poverty alleviation has developed from providing loans or free aid with political goals to carrying out various forms of mutually beneficial cooperation as well as the formation of international poverty alleviation and development strategies, emphasis on international poverty reduction training, and the evolution of demonstration and exchange. At present, China's international poverty assistance work relies on domestic agencies, while regional cooperation mechanism and multilateral cooperation are also increasing. Promised international poverty alleviation investment has increased substantially since 2015.

From the perspective of the international poverty alleviation model, China emphasizes "exchange and cooperation" and adopts a development-oriented approach to poverty alleviation. At present, China's international poverty assistance focuses mainly on six aspects, including agricultural development, educational assistance, medical and health assistance, and assistance in the construction of public welfare facilities, knowledge sharing and demonstration projects on poverty reduction at the village level. In terms of methods, there are mainly three modes of cooperation: bilateral cooperation between China and recipient

governments, cooperation between China, recipient countries and the third country, and multilateral cooperation between recipient countries and international institutions. The common role played by China in these models is to pilot and disseminate the Chinese experience in cooperation, and to introduce private sector investment through technology transformation, employment expansion, structural transformation, and to achieve poverty reduction goals in target countries.

Experience of China's international poverty assistance is mainly reflected in building political mutual trust with target countries, attaching great importance to the role of economic development and agricultural development to poverty reduction, in particular agricultural technology transfer and infrastructure investment. China promotes economic restructuring and introduces the private sector, especially enterprises, to participate in international poverty assistance. China's also faces some challenges, including the lack of overall strategic planning, the lack of summary and evaluation of China's international poverty assistance experience and the promotion of China's experience based on the evaluation results, and the insufficient participation of non-governmental forces. In particular, the private sector, non-governmental organizations and social organizations need to be developed to a certain extent to affect the target country's low grass-roots participation. China also faces the lack of international poverty alleviation personnel and insufficient communication with the international community.

## **5.2 Recommendations for JICA to Engage in China's Poverty Reduction Strategy**

JICA provides bilateral aid in the form of Technical Cooperation, Japanese ODA Loans and Grant Aid under its mission vision and has specific action fields and activities in each region and country. This project reviews China's poverty status and policies, summarizes the PAID and BOP business models and foresights China's domestic and international poverty trends. A number of recommendations are developed from academic perspective for the global experience sharing and JICA's possible engagement in China's poverty reduction strategy in the future.

**Regarding the international experience sharing, first, it is suggested that JICA can introduce Japanese enterprises' successful BOP practices to the world.** Improved income and living conditions have increased the demand for better life of the poor, offering opportunities for the development of BOP business models in China. One type of BOP model views the poor as consumers and focuses on exploring and meeting their needs. This is consistent with the future trend of rural poverty alleviation. Another type of BOP model counts the poor as producers and partners and incorporates them into the value chain. It can effectively motivate the private sector to participate in poverty reduction schemes, boosting rural economy and improving the inner motivation of the poor. JICA can play an important role in introducing and localizing worldwide best BOP practices of Japanese companies.

**Second, summarize and disseminate China's poverty alleviation lessons through the JICA network to the international community.** China is probably the most successful country in achieving poverty reduction in the recent human history. JICA can facilitate experience sharing and exchange by introducing China's success in poverty alleviation to global audiences, based on the summary of China's practices and research on the applicability of such experiences.

**Third, JICA can learn from China's practice to involve the private sector in international poverty alleviation.** The contribution of the private sector in areas like agricultural development and public welfare facilities is an important part of China's efforts in international poverty alleviation. Private investment is proved to be effective regarding better capturing market opportunities, developing whole industry chain, innovating financing channels, strengthening risk management, and demonstrating the soft power in international aid. Donor countries which rely on government-led models can learn from China's approaches.

**Fourth, it is suggested that JICA can try to develop a trilateral cooperation model among Japan, China, and beneficial countries for joint international poverty reduction efforts.** China is increasing its investment in international poverty alleviation, especially through regional platforms. To develop new mechanisms in this area, with the establishment of China's International Cooperation Agency, there will be diversified strategic planning and approaches for cooperation. China, UK and Africa's cooperation has already demonstrated preliminary success. Both China and Japan are helping countries in Africa and other regions, indicating potential trilateral cooperation chances. Taking advantage of each participating party, especially Japan's rich knowledge in program planning, design, knowledge transfer, and program monitoring and evaluation, this kind of trilateral model may improve the efficiency of international poverty reduction.

**If JICA would engage in China's poverty alleviation, first, it is suggested for JICA to monitor China's latest policy direction on issues related to poverty alleviation.** China's *13th Five-year Plan* guides the country's efforts to alleviate poverty by 2020. To understand such a plan, one needs to place it under the context of broader development pathway China undertakes in the foreseeable future. A rural revitalization strategy has been proposed in the 19th National Congress of the Communist Party, marking development of poor areas a priority for the country before and beyond 2020. The key for rural revitalization is to "establish and improve the institutional mechanism and policy scheme for urban-rural composition and accelerate the modernization of agriculture and rural areas, achieving the goal of industrial prosperity, ecological livability, rural civilization, effective governance and rich life". Eradicating rural poverty under the existing poverty standard by 2020 will be critical for the urban-rural composition of China's development. Japan's experience and lessons on managing urban-rural composition during its earlier stage of development has the potential to be applied in the context of China.

**Second, it is suggested to engage in supporting the development of just and equitable social safety nets in China, especially in education, health, medical care, and pension system.** With the long-term implementation of development-oriented poverty alleviation and the dramatic reduction of the poor population, China's poverty alleviation strategy has shifted from the dominant development-oriented poverty alleviation to the combined strategy of development-oriented poverty alleviation and social protection, focusing on the formulation and implementation of targeted social safety net measures. Current status of poor people in China call for more investment in the fields of education, health, medical care, and pension system, especially vocational education, basic education of poor children, nutrition and health education, illness prevention, centralized pension system, and home-based care. Assistance from Japan would be valuable given its well-developed social security system and JICA can support in technical cooperation in program designing.

**Third, it is suggested to encourage Japanese corporations to participate in projects improving living conditions of the poor in rural China.** Living conditions of China's rural residents have been greatly improved due to the large-scale development-oriented poverty alleviation, especially infrastructure investment in rural transportation, electricity, and living facilities such as housing and drinking water. Nowadays, the deprivation of living conditions among the poor population is mainly demonstrated as the deprivation of sanitation, toilets, cooking energy, bath facilities and communication, which will become the focus in the next development stage. Considering the technical and management advantages of Japanese enterprises, this report suggests that JICA could encourage Japanese enterprises to expand their business in China by developing products that meet the needs of the poor in improving living conditions.

**Fourth, it is suggested to focus on urban poverty and poor migrant workers.** China's new anti-poverty strategy to achieve the poverty alleviation goal by 2020 focuses on rural areas. Urban poor and migrant workers, whom tend to be ignored in the current poverty reduction efforts, will receive more attention. Employment support, improvement of housing and living conditions, and social safety nets are key issues for addressing urban poverty. Japan's successful experience in managing its migrant workers during the earlier transition period would be very useful for not only China but also other transforming countries. It is suggested that JICA can summarize and share Japan's experience for reducing the urban poverty.



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