

# 10 Lessons from sustained poverty reduction in China

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With global crises already stalling or reversing progress in reducing global poverty, the challenge today is to not only redouble efforts to reach poverty goals but also maintain gains achieved. This chapter shares lessons from the 40-year dramatic decline in the number of people living in poverty focusing on successful policies and strategies. It begins with a discussion of China's pro-poor economic transformation before examining its development policy that provided new employment opportunities for the rural poor outside the agriculture sector. It looks at the importance of policy coherence and institutional capacity to maintain a focus on poverty reduction and removing structural barriers through expansive social protection systems. It concludes with a section on sharing knowledge through South-South co-operation including an example of a village-level poverty reduction project implemented in the United Republic of Tanzania.

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## Key messages

- The economic transformation of China's rural areas and development strategies has helped lift 770 million people out of poverty since 1978 and has driven nearly three-fourths of the overall global reduction in poverty since 1980. In 2021, China announced it had eradicated extreme poverty in the country.
- China's experience in targeting rural poverty is being taken up through its South-South co-operation in Africa and through other projects in Asian countries.
- China's poverty reduction success relied mainly on three pillars: 1) increasing rural households' income by promoting the growth of non-agricultural jobs and industries; 2) increasing agricultural productivity; and 3) investing in rural infrastructure.
- Rapid economic growth and transformation also contributes to income inequality reduction. Along with an expansive social protection system and targeted pro-poor policies, the growth and transformation helped poor people become self-sufficient and overcome barriers to participating in economic activities.

## Introduction

The poly-crises of recent years brought an end to 30 years of steady progress in reducing poverty worldwide. From 1990 to the eve of the COVID-19 pandemic, the share of the global population living in poverty (on USD 1.90 a day or less) declined from 36% to 10% (Kharas and Dooley, 2022<sup>[1]</sup>). In 2024, multiple crises – COVID-19, climate change, large-scale conflicts and geopolitical tensions, among others – have reversed the trend. The challenge today is not only to reduce poverty but also to maintain gains already achieved. China's experience in dramatically reducing poverty over the past four decades offers many examples of strategies that have worked.

China has been a world leader in poverty reduction. It contributed to nearly 75% of the global extreme poverty reduction between 1981 and 2017 and has lifted 770 million people out of poverty since 1978. In 2021, China announced it had eradicated extreme poverty in the country (World Bank, 2022<sup>[2]</sup>). Even in the last few years, when vulnerable people slipped back into poverty in many parts of the world due to the pandemic-induced economic recession, China appears to have avoided a similar reversal (Roser and Arriagada, 2024<sup>[3]</sup>). The unprecedented speed and scale of China's poverty reduction can offer important lessons and proven strategies for other developing countries and the international development community. Moreover, as the largest South-South development co-operation provider (UNDP, 2016<sup>[4]</sup>), China is an active leader in global poverty reduction initiatives, drawing on its own experiences.

## Highlights from China's strategies to combat extreme poverty

### ***Pro-poor structural economic transformation***

Pro-poor structural economic transformation played an essential role in China's rapid and sustained economic growth, dramatically raising incomes for poor people and the population as a whole. The reform and opening-up policy introduced in 1978 marked the start of China's transition from a centrally planned to a market economy, laying the institutional foundation for its economic expansion. It also developed strategies and practices that aimed to prevent increasing inequalities caused by rapid economic growth through providing huge support to agricultural and rural development since the new millennium. China called off the agricultural tax completely since 2006 and initiated the countryside construction campaign during the same period of time. Twenty-two No. 1 central documents<sup>1</sup> have been released each and every

year since 2004 to provide policy guidance on agricultural and rural development as well as increasing farmers' income.

### ***A development policy that provided new employment in rural areas***

A distinguishing feature of China's economic growth relative to that of other developing countries has been the rapid rise in rural household income. Poverty was largely concentrated in rural areas in the 1970s, and over four-fifths of the total rural population was living in poverty. Higher agricultural incomes, mainly the result of increased agricultural productivity in the early years of the opening-up and later due to the expansion of non-agricultural sectors in both rural and urban areas, drove poverty reduction until 2007. Real earnings per unit of labour in the agricultural sector grew at an annual rate of 8% between 1988 and 1995, and a vast majority of the rural workforce (more than four of five workers) remained engaged in agriculture (World Bank, 2022<sup>[2]</sup>).

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Employment in township and village enterprises (TVEs) alongside rural outmigration to urban areas further boosted rural household incomes, contributing to a continued decline in rural poverty. TVEs played a particularly important role (Box 10.1). Generally low-skill, labour-intensive light industries, these enterprises provided an alternative source of local employment for farm workers made redundant with the increase in agriculture productivity, enabling them to keep their earnings in their rural villages. TVEs made a significant contribution to the infrastructural and technological development of rural areas and the agricultural sector overall in China. As a result of China's particular process of modernisation – urbanisation from within – the country was able to avoid large-scale urban poverty.

#### **Box 10.1. The role of township and village enterprises in expanding economic opportunities and reducing rural poverty in China**

Township and village enterprises (TVEs) grew out of the community enterprises (*shedui qiye*) that existed prior to the reform and opening-up policy of 1978. At that time, their total production value accounted for just 37% of total agricultural output. By 1987, the output of TVEs surpassed total agricultural outputs, signalling a significant structural change underway in China's rural economy. In 2008, TVEs were responsible for 71.2% of value added of rural society, and the number of TVE employees had increased from 28 million in 1978 (9.2% of rural labourers) to 154 million in 2008 (29.3% of rural labourers). In addition, between 1978 and 2008, the monthly average income of farmers working in TVEs grew by more than 150-fold from CNY 10.74 (yuan renminbi) in 1978 to CNY 1 666 in 2008, leading to sharply lower rural poverty rates among TVE workers. Over this 30-year span, TVEs contributed about CNY 433 billion to support agricultural value chain development.

Source: China Ministry of Agriculture (2009<sup>[5]</sup>), *60th Anniversary of the Founding of New China: Achievements in the Development of Township Enterprises*, [https://www.moa.gov.cn/ztl/xzqnylsn/gd\\_1/200909/t20090918\\_1353912.htm](https://www.moa.gov.cn/ztl/xzqnylsn/gd_1/200909/t20090918_1353912.htm).

### ***Policy coherence and institutional capacity to maintain a poverty reduction focus***

Sustaining poverty reduction gains requires policy coherence and strong government mobilisation and capacity. In this regard, China's national strategies and policies have long prioritised the so-called three issues (*sannong wenti*) of rural people, rural society and rural production. From 1982 to 1986, agriculture and rural development policy<sup>2</sup> and programmes focused on problems around land reform, industry and service development in rural areas, the procurement of grains, and rural-urban relations – all with the aim of improving farmers' income and livelihoods (Central Committee of China, 1982<sup>[6]</sup>). Since 2004, themes of the annual rural plans have centred on narrowing rural-urban income gaps with a focus on investment, agricultural technology and innovation, green development and rural construction, and food security (Ministry of Agriculture, China, 2004<sup>[7]</sup>). A specific objective of the Rural Revitalization Strategy launched in 2017 is to consolidate and sustain the achievements in poverty reduction through the modernisation of production and rural development.

### ***Removing structural barriers through expansive social protection systems***

Expansion of social protection systems and targeted pro-poor policies have helped remove structural barriers and made the country's economic development more inclusive by supporting the capacity and capability of poor people to participate in economic activities. China's social protection systems include social insurance, social welfare, social assistance, preferential treatment and compensation, and mutual aid, among other services. As of March 2021, 1.36 billion people were covered by the basic medical care system and more than 350 million people were covered by the social protection system. Targeted poverty reduction policies put in place in 2012 – such as rural pensions and the expansion of universal health care to rural areas – have also proved effective and are credited with helping lift 100 million people out of poverty in the first eight years (World Bank, 2022<sup>[2]</sup>). Reforms in these areas were incremental, which helped businesses and the population adjust to the changes.

## **Lessons from China's success in reducing poverty**

The steady reduction in global poverty prior to the COVID-19 pandemic was attributable in large part to the sustained economic and development gains by emerging markets and developing economies. China's success suggests that investments in economic transformation and social protection can make these achievements sustainable. The primary objective of these policies is to help realise the potential of poverty-stricken regions and people living in poverty, rather than viewing them as incapable of self-reliance. This experience in reducing poverty, and particularly rural poverty, offers lessons that could be shared with other developing countries that face some of the same challenges that China has overcome.

Two major lessons can be drawn:

1. **Success can be sustained when poor people have the capacity and capabilities to be self-sufficient.** Policies that promote the participation of poor people in economic activities ensure that they are the beneficiaries of economic development. Chinese policy does not rely on direct subsidies or cash transfers to the poor – it focuses on encouraging individuals to improve their livelihoods.
2. **Combine efficient-free markets and effective government.** The market played an important role in enabling poverty reduction strategies. Over the past four decades of reform and opening-up, China has benefited greatly from both internal and global free market mechanisms. Market-driven mechanisms were a fundamental contribution to the development of coastal areas.

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## Sharing knowledge and experience through South-South co-operation

China has made commitments to address global poverty reduction through international development co-operation. As an example of South-South co-operation, other developing countries with similar histories and development trajectories are finding this experience a useful reference. Other providers also are testing the feasibility of China's approach to poverty reduction through their development co-operation, often in response to requests from partner country governments. Village-level poverty reduction projects have, for example, been implemented by Association of Southeast Asian Nations countries as well as in Africa, as outlined in Box 10.2.

### Box 10.2. Exporting China's strategies and experience to reduce rural poverty in Africa

Since 2011, a team from China Agricultural University has been working with the local government and a local agricultural university in the Morogoro region of the United Republic of Tanzania to increase agricultural productivity and help lift smallholder farmers out of poverty using low-cost strategies that have been employed with success in rural China. An example of effective South-South co-operation, the project benefited from Chinese expertise and the context-specific knowledge of local stakeholders.

The project focused on providing simple, low-cost and labour-intensive technologies to poor farmers who lacked sufficient capital to obtain more sophisticated technology and methods. It supports farmers in preparing land for planting; using improved seeds; and increasing plant density, through thinning, weeding and intercropping. As a result of the project, maize production has doubled and sometimes tripled over previous levels and farmers' incomes have also doubled. Intercropping maize and soybeans allowed for soil fertility to be maintained, and the local population was able to begin to process the soybean crop into soy milk. The project thus contributed to food security and better nutrition and enabled new small businesses to open within the village, including soy milk-processing businesses and shops to sell soy milk.

The approach piloted in Tanzania draws on practices used in rural areas of China in the 1970s when the government did not have the infrastructure and capacity to invest significant capital but successfully increased agricultural productivity by deploying lower cost, simple technologies instead.

Source: United Nations Office for South-South Cooperation (2021<sup>[8]</sup>), *South-South in Action: China-Tanzania Cooperation through Agriculture and Poverty Reduction Partnerships*, <https://www.southsouth-galaxy.org/action/south-south-in-action-china-tanzania-cooperation-through-agriculture-and-poverty-reduction-partnerships>.

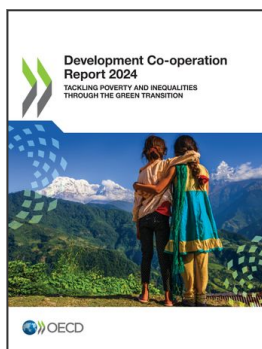
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## Notes

<sup>1</sup> No. 1 documents outline the main policy directive and priority issued by China's central authority for each year.

<sup>2</sup> Every year since 1982, the Chinese Communist Party and State Council set forth agriculture and rural policy and priorities in the No. 1 documents.



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