

# Taking Action for the World's Poor and Hungry People

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## SPEAKER SUMMARY NOTE

**Session:** Targeting the Poor—Policies and Programs  
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**Title:** Impact of participatory village development planning on poverty alleviation in China

**Abstract:** Participatory Village Development Planning (PVDP) was developed with the assistance of ADB from 2001–2002 under the request of the Leading Group Office for Poverty Reduction and Development of the State Council of PRC (LGOP). It has been then adopted and soon applied national wide by LGOP as the shift of its poverty reduction strategy from top down county targeting approach to village targeting approach, which marked significance of the transformation of the government poverty reduction approach in the new century. Despite existence of the current political and social structure and predominant top down planning and decision making, the PVDP has indeed resulted in a significant impact on the fund governance and rural democracy. Due to the lack of panel data for quantitative comparison, it is difficult to provide systematic evidence for what impacts have been made, however, the available data and case studies across the country indicates the significant improvement in fund targeting and the poor farmer's participation in decision making.

As the result of well-known economic reform since 1978, China has made remarkable progress in rural poverty alleviation. However, the decelerating rate of the rural poverty population has been slow down. There are two reasons. On the one hand, the large proportion of remaining rural poverty population concentrates in those areas where social, economic and cultural conditions are laggard. Therefore the regional economic approach that had been used to be the major force for massive poverty reduction throughout 1980–1990s is no longer effective to bring benefit to the poverty population. On the other hand, the deviated targeting and insufficient participation of poverty population have badly influenced the efficacy and effectiveness of the government intervention that has been designed specifically for those who can hardly benefit from economic growth. This is, however, largely attributed to problematic county-targeting approach. Under this circumstance, the Chinese government has begun to consider using participatory approach in its poverty alleviation effort. The ADB-TC3610 was initiated to help China develop a participatory methodology for a better targeting and participation. The central point of this methodology is to shift China's poverty targeting from county level to village level and further to empower the poor to make decision instead of the top-down planning. The methodology developed through intensive participatory processes includes three major components. First is the process of the poor village identification which guides the resources allocation from county level to village level, which aims to reduce so called first level deviation. Second is the process of the poor village development planning which allows the poor farmers to make decision based on their own needs. Third is the process of the integration of all village plans at county level for fund allocation and management.

## **Brief Introduction of PVDP**

There are 3 key steps for the village planning procedure and method: The first step is to identify the poor villages; the second step is to formulate the participatory village development plan; the third step is to integrate all the village-level plans into a county-level plan.

### *Identification of poor villages*

The villagers will rank their village's eight indicators which are classified into three categories. These indicators are: (1) the category of basic livelihood: per capita annual grain yield, per capita annual cash income, proportion of households who live in houses made of mud and stone; (2) the category of physical infrastructure: drinking water for human beings and domestic animals, electricity coverage, road coverage; (3) the category of social conditions: the proportion of women who are chronically ill, the drop-out rate of primary and middle school girls. Then the two-level weight method is used to calculate Participatory Poverty Index of the village. The poor villages then are identified according to this index. During 2002, 148,000 poor villages all over the country were selected by using this method as the target for next 10 years resources allocation. However, different provinces actually used different or simplified procedures to identify the poor village. Usually two approaches were applied based on the recommended methodology.

*Factual approach:* this approach was to firstly screening all poor villages according to the indicators mentioned above, then to allocate those villages into counties that were designated as poverty key working counties as the fund had to be allocated to county level. For instance, Guangxi and Ningxia Autonomous Region took the approach. In this regard different counties got different number of the poor villages, which implied different amount of fund would be distributed according to the number of the poor villages. For example, in Guangxi, has been 4060 poor villages were selected, of which Lingyun County got 63 and the quota Longsheng County got 41 poor villages respectively.

*Resource limited approach:* this approach was to select poor village according to the resource availability. Usually, the total number of the poor village was first decided according to the fund available. Then the quota was given to both key and non-key working counties. Within the counties, the poor township was identified and the number of poor village was given to each poor township. So it is up to the county and township governments to decide which the poor villages are. This approach has been adopted by Jiangxi Province. The allocation principle was as followings: in the key working counties, the quota of the villages in the key alleviation townships is 20%; in the non-key working counties, the quota of the villages of the key alleviation township is 16%. Following is the example of how the poor village was actually selected under this approach.

*The County Poverty Alleviation Office (CPAO) of \*\* County instructed the officials coming from the townships to fill in a unified form of the basic situation of the key poverty township. Then priority ranking of these townships according to the poverty level was made. The township government convened a meeting participated by the village party secretaries and village directors of all the administrative villages under the governance of the township. In this meeting, the list of the key working villages was selected and it was submitted to the CPAO. The CPAO then submitted this list to the county government for discussion and final decision. Then the county government submitted the revised list to the Provincial Poverty Alleviation Office (PPAO). The PPAO assessed it and then submitted it to the Provincial Leading Group of Poverty Alleviation to make final decision.*

### *The participatory village development planning*

The processes include 9 steps: (1) collect basic information of the village; (2) classify the households into different categories; (3) identify the problems of the village poverty alleviation and analyze the reasons; (4) formulate the village development project; (5) analyze the weakness and strength of the development project and conduct feasibility study; (6) identify the beneficiary groups and participant groups of the development project; (7) identify the support it needs; (8) design the implementation process of the project; (9) establish a monitoring and evaluation system for the village poverty alleviation planning. The plan is done by village development planning group. The villagers are encouraged to use participatory tools to express their viewpoints, to date, the plans have been formulated in 80% of the poor Villages in China.

### *The county-level integration of the village participatory development plans*

If each independent village-level plan can not be integrated effectively, the management cost will be too high. Therefore it is necessary to integrate the village-level development plans and formulate a county-level plan. Generally speaking, this includes the following 5 steps: (1) The overall analysis of the development needs of the poor villages. For this, development projects proposed have to be assessed. (2) Identifying the goal and tasks of the county-level development plan. (3) Formulating the county-level development projects and its concrete implementation steps. This is an important link for the whole planning process, including project design, evaluation, ranking, and selecting the supporting system. (4) The implementation of the county poverty alleviation plan mainly includes: the arrangement of money and time, the institutional safeguard, the supporting system and the M&E system. (5) Establishing an integrated balance among the important components. The county-level plan is not simply adding together the different village-level plans. The funds, labors, lands for different project activities, taking the development of the whole county into account, have to be considered. So far, this work has been done in most of the poor counties and a county-level development project database has been established.

### **Impact on the Targeting Mechanism**

As the strategic shift from county targeting to village targeting to improve fund governance mechanism, the PVDP approach aimed to reduce fund leakage and increase the fund flow to the poor village and poor household. The results of application of the methodology have shown that the fund governance has been improved and also left much for further policy adjustment.

### *Efficacy of village targeting*

Theoretically the accuracy of the targeting can only be increased at the cost of increased management cost (Liu Dongmei 2001; World Bank 2001), therefore, village-level targeting system is considered almost impossible (Liu Dongmei 2001). However, it has been proved that identifying poor villages by using the method of participatory poverty index (PPI) is not difficult. Since 2002, the LGOP through 27 provincial PADOs has identified 148,000 poor villages accounting for 21.4% of the administrative villages in China. 130,827 of them locate in the central and western part of China, accounting for 88.4% of the poor villages identified in all over China and 26.7% of the local administrative villages were covered as the poor village in those regions. In addition, 17,224 of the poor villages locate in the eastern part of China, accounting for 11.6% of the poor villages and 8.5% of the local administrative villages in the region. All these poor villages were distributed in 1,861 counties across the whole country, accounting for 68.8% of the total county number of China (China Rural Poverty Monitoring Report, 2003). This targeting covered 83% of the poverty population in China (LGOP 2004). In contrast, when the county-level targeting system was applied, there were 592 poor counties in China, accounting only for 21.9% of the total county number of China and covering about 53% of the poverty population (Li Xiaoyun 2006). In other words, after adopting the village-level targeting system, the county-level coverage rate of the poverty alleviation resource has increased 46.9% and the coverage rate of poverty population has increased 30%.

Although using this methodology to decide the poor village would exclude many other villages which have similar socio-economic development level (Wang Sangui 2005; Li Xiaoyun 2006, et al.), the targeting rate is still relatively higher. Table 1 shows targeting rate in selected provinces.

Table 1: The Targeting Rate of the Poor Village

| Province | Total number of poor villages ranked in selected township in each province | Number of the poor villages selected | Number of non-poor villages selected | Targeting rate of poor villages (%) |
|----------|--|--------------------------------------|--------------------------------------|-------------------------------------|
| P1       | 25   | 25                                   | 0                                    | 100                                 |
| P2       | 16   | 15                                   | 1                                    | 93                                  |
| P3       | 23   | 18                                   | 5                                    | 72                                  |
| Total    | 64   | 58                                   | 6                                    | 90                                  |

Source: Li Xiaoyun, Zhang Xuemei, Tang Lixia, *Targeting and Deviation of the Poverty Alleviation Fund*, Social Science Literature Publishing House, 2006

### *The fund flow to the poor villages*

The village development planning policy has made more funds to be allocated to the poor villages because of more restricted policy that the fund must go to identified poor villages. This made that: (1) the poor villages have easier access to poverty alleviation support. Although the poor villages account for less than 50% of the total number of the administrative villages in the country, the poor villages still account for 67.2% of the administrative villages which have had given the supports (non-poor Villages also can get supports) (China Rural Poverty Monitoring Report, 2004). In 2005, 49.1% of the poor villages won supports, while only 26.5% of the non-poor villages won supports; (2) the poor villages win more support than the ordinary villages averagely. In 2005, each poor village obtained a yearly fund of 96,000 Yuan, including 12,000 Yuan loan, while only 53,000 Yuan grant and 8,000 Yuan loan for the non-poor villages. Compared with 2002, the funds allocated to both the poor villages and the non-poor villages have increased, but the fund allocated to poor villages increases more; (3) The proportion of the household-level participation in the poor villages is higher than that in the non-poor villages. In 2005, this number is 19.8% in the poor village and 9.4% in the non-poor village.

Table 2: A comparison of the supports won by the poor village and the non-poor village

|                  | Participating village | Cash support | Material support | Technology support | Participating household |
|------------------|-----------------------|--------------|------------------|--------------------|-------------------------|
| Poor village     | 49.5%                 | 37.5%        | 26.9%            | 14.9%              | 19.8%                   |
| Non-poor village | 26.5%                 | 21.9%        | 11.0%            | 6.2%               | 9.4%                    |

Source: China Rural Poverty Monitoring Report, 2006

### *The fund distribution among different group of farmers*

In 2002, each household obtained 52.5 Yuan while in 2005, each household had 747.5 Yuan averagely. For the households in the poor village, this number is 839.1 Yuan. In the mean time, more households have access to household-level projects. In 2002, this the household which got the projects made up 6.6% of all the farm households. But in 2005, this number increased to 9.5%. The proportion of the households which have access to household-level fund is 13.3% in the poor villages, while only 6.2% in the non-poor villages. In addition, the fund is largely concentrated in the groups between groups with income above 100 Yuan and below 5000 Yuan. For those groups, the fund received has shown a increase yearly (group with less 100Yuan is only regarded as social protection group, 5000 Yuan more is not poor).

Table 3: The poverty alleviation fund obtained by the household in the key alleviation county

| Farmer's group by income | 2002        | 2003        | 2004        | 2005        |
|--------------------------|-------------|-------------|-------------|-------------|
| More than 5000 Yuan      | 0.9         | 2.4         | 2.0         | 2.1         |
| <b>1000–5000 Yuan</b>    | <b>20.0</b> | <b>23.2</b> | <b>24.5</b> | <b>29.4</b> |
| <b>500–1000 Yuan</b>     | <b>17.4</b> | <b>20.2</b> | <b>20.2</b> | <b>22.0</b> |
| <b>100–500 Yuan</b>      | <b>41.4</b> | <b>37.8</b> | <b>37.7</b> | <b>34.8</b> |
| Less than 100 Yuan       | 20.3        | 16.4        | 15.5        | 11.6        |

Source: China Rural Poverty Monitoring Report, 2006

### Village-level Impact of the Participatory Village Development Planning

#### *Promoting the village-level democracy*

Although there is still a long distance to go before the villagers can truly participate in the formulation and the implementation of the development planning. But many field surveys show that the participation of villagers has started to appear. The villagers can participate in the activity of villager group. Through participating in discussion of the villager group, and participating in the villager meeting and the village representative meeting, the villagers can put forward their opinions and express their needs. The identification of the poor household, the effective monitoring of the time and labor input, have all promoted the village-level democratic development process, and effectively improved the relationship between the local government and the villagers, which, to a certain extent has enhanced the accountability of the public government service. Furthermore, the documents of the village-level plan must be announced to the public of the village community, so as to let more villagers know about the development projects. Monitoring data indicates that more than half of the households know their village's project, 65.4% of the households know that there are supporting projects coming from outside, and 58.5% of the households know whether there is new project or new fund in their village. 53.8% of the households know about the content of the project and this information is spreading through formal public channel instead of the informal channel in the past. Here the formal public channel refers to villager meeting, village representative meeting, villager group meeting, public announcement and public notice, etc.

On the one hand, the villagers mainly participate in some small-scale community production and the construction of infrastructure such as: digging water channel, building village road, providing safe drinking-water and improving the toilet. The villagers can contribute their labor or money. But for the larger-scale projects such as building the road between different villages, building school, forming the construction brigade which can bid for project, the possibility of farmer's participation in the implementation and monitoring is much less. On the other hand, villagers can benefit from some poverty alleviation projects. Monitoring data indicates that 14.3% of the households participate in the household-level projects and benefit from the public welfare project. In the key alleviation village, this number is 19.8%. In the administrative villages, 53% of the households participate in the household-level projects and benefit from the public welfare projects. Among them, 54.3% are poor households. The participation proportion of the households in the key alleviation village is higher than that in the ordinary village. In 2005, the proportion in the poor village almost doubled that in the ordinary village.

#### *Improving the poverty population's decision-making in village development planning*

For a long time, the voice of the poor farmers can not be heard in the decision-making process of China's poverty alleviation effort. The major reason is that there is no legitimated organization representing them in the decision-making system. Often the dominant group decides the use and management of the poverty alleviation fund. The implementation of the village development planning

provides opportunities and effective operation methods for the poor farmers to participate in the decision-making process. Monitoring data indicates that in 2002, when the Village development planning started to be implemented, few farm households participated in it. But in the villages which have development projects, 24.9% of the households have chance to discuss about the selection of the projects, 62.4% of that year's projects were selected by the villagers themselves, and 99% of the projects were approved by the villagers. In 2005, 52.6% of the households participated in the project planning, which means that more households participated in the project planning. However because of statistic errors, we can not compare the two indicators, namely the projects selected by villagers themselves and whether these projects have been approved by the Villagers. Monitoring data indicates that in 2005, 61.6% of the household-level projects had been approved by the villagers and the households which have select the projects themselves account for 36.1% of the households which participated in the project planning.

*Villagers from Village A of Province B learned from the village carders the detailed information of "Sheep Project for 10,000 Poor Households". Since the project resource (sheep) is quite limited, it is impossible to cover all the poor villages and all the poor households. Therefore the village carders decide to adopt the following procedure. First a villager meeting was held to prioritize all the households according to the poverty level. According to this sequence and the amounts of the sheep allocated to the village, the number of the households which benefit from this project was finally decided. According to this number, this number of households on the top of the list can get the sheep. However since there are both good-quality sheep and poor-quality sheep, the households have to draw the lot to decide which kind of sheep they can get, for this they have to prioritize the sheep according to the quality. Field survey shows that all the 12 households which get the sheep belong to the poorest household in the village with a net per capita annual income of less than 580 Yuan.*

#### *Promoting the integrated development of the rural community*

The poverty alleviation work and the poverty alleviation fund have been long time as project-based. Many projects in the whole county or even in the whole province overlap with each other, focusing more on the construction of infrastructure. Although this has brought convenience to the rural life, but the integrated development of the community has been overlooked. The village development planning has selected projects on infrastructure construction and industries development. Special attention has been given to these areas. The poverty population has also expressed their needs for social development, ecological environment construction and capacity building. Most of the village-level planning turns out to be an integrated community development plan. If the poverty alleviation input really can be implemented according to village-level plan, the problem-solving oriented development intervention will promote the effort of integrated community development.

Table 4: The content of some of the village-based projects

| Village   | The categories of the projects   |
|-----------|--|
| Village 1 | <ol style="list-style-type: none"> <li>1. Planting: hybrid rice, de-virus potatoes, hybrid maize, home garden economy, integrated pest management, green manure, vegetables</li> <li>2. Animal husbandry: cattle, domestic poultry, swine, chicory as swine fodder, beef cattle, forage grass</li> <li>3. Infrastructure: reservoir and water channel, safe-drinking water, village road building, biogas-generating pool</li> <li>4. Social service: building an integrated village service room, long-distance education base</li> <li>5. Training and labor export: training on practical technology, training for the management staff, traveling expenditure support for the migrant labor</li> </ol> |

Table 4: The content of some of the village-based projects

| Village   | The categories of the projects   |
|-----------|--|
| Village 2 | <ol style="list-style-type: none"> <li>1. Planting: hybrid maize, tobacco, vegetable, tea, medical plant, de-virus potato</li> <li>2. Animal husbandry: cattle, chicken, chicory as swine fodder</li> <li>3. Infrastructure: irrigation station, water tank, water vault, biogas-generating pool</li> <li>4. Training and labor export: Providing related services</li> </ol>  |
| Village 3 | <ol style="list-style-type: none"> <li>1. Planting: hybrid rice, hybrid maize, de-virus potato</li> <li>2. Animal Husbandry: cattle, swine</li> <li>3. Infrastructure: building a small dam, hardening the village road, installing tap-water</li> <li>4. Social service: Solving medical problem, providing information, growing economic crops, education of children above grade 3</li> </ol>   |
| Village 4 | <ol style="list-style-type: none"> <li>1. Planting: hot pepper, taro</li> <li>2. Animal husbandry: large livestock, sheep, swine</li> <li>3. Infrastructure: water channel, biogas-generating pool, villager migration, farmland reconstruction</li> <li>4. Social service: Building an integrated village service room, rebuilding the land, rebuilding the road, and improving the environment, communication infrastructure including: TV and radio receiving station, cable telephone, training for the technicians, building a village clinic</li> <li>5. Eco-economic project: economic forest such as Chinese ash, forage grass</li> </ol>    |
| Village 5 | <ol style="list-style-type: none"> <li>1. Planting: grain crops such as hybrid rice and hybrid maize, economic crops such as vegetables</li> <li>2. Animal husbandry: swine, fish in the rice field</li> <li>3. Infrastructure: irrigation, building village road, hardening the pavement between the villages, biogas-generating pool, safe drinking-water, building the small field water channels</li> <li>4. Social service: Provide technology training for the villagers</li> </ol>  |
| Village 6 | <ol style="list-style-type: none"> <li>1. Planting: yield-increasing crops</li> <li>2. Animal husbandry: large livestock, domestic poultry</li> <li>3. Infrastructure: village pavement, water channel, safe-drinking water, biogas, Villager migration, farmland reconstruction, mountain pool, water tank, fireproof pool</li> <li>4. Social service: Building an integrated village service room, rebuilding the land, rebuilding the road, improving the environment, providing technology to the exported labor, technology training, batik technology training</li> <li>5. Eco-economic project: economic forest, tea, forage grass</li> </ol> |
| Village 7 | <ol style="list-style-type: none"> <li>1. Reforestation</li> <li>2. Infrastructure: 'three farm land'</li> <li>3. Safe drinking water</li> <li>4. Building 164 hog-pens</li> <li>5. Renovation of the endangered houses</li> <li>6. Planting featured crops</li> <li>7. Providing training to the migrant labors</li> <li>8. Receiving the TV signal and building the road for every village</li> </ol>  |
| Village 8 | <ol style="list-style-type: none"> <li>1. Building the road</li> <li>2. Safe-drinking water</li> </ol>   |

## Impact on the Management of Poverty Alleviation Fund

### *Improving the distribution mechanism of the poverty alleviation fund*

Although the distribution of national poverty alleviation fund (PAF) is basically county-based, but a village-based distribution mechanism has been adopted by many provincial governments. In provinces like Jiangxi and Yunnan, the poverty alleviation resources are evenly distributed to all the poor villages. In Guangxi autonomous region, all the village-level development projects are integrated into a county-level or municipality-level project database, and the fund is distributed to the projects selected from this database. In Ningxia autonomous region, the poverty alleviation funds are divided into two parts. For the first part, the local authority has to follow the application procedure and waits for the approval. For the second part, the fund can be discharged to the implementation of the village development planning. So the fund distribution mechanism has changed from the county-based model to the village-level model. This prompts the central government to revise its rules regarding the use of the poverty alleviation fund, so that the fund can be more reasonably distributed in accordance with the poverty reality of rural China.

Table 5: Poverty alleviation resources obtained by the poor villages

| Village | Total household number | Total population | Poor household number | General fund input | Fund from other institution | Fund raised by the villagers | Loans | PAF    |
|---------|------------------------|------------------|-----------------------|--------------------|-----------------------------|------------------------------|-------|--------|
| V1      | 397                    | 1724             | 92                    | 360                | 100                         | 220                          | 30    | 70     |
| V2      | 150                    | 618              | 43                    | 142                | 0                           | 42                           | 30    | 70     |
| V3      | 237                    | 1019             | 52                    | 100                | 40                          |                              |       | 60     |
| V4      | 240                    | 1257             | 215                   | 224.28             | 10.8                        | 74.682                       | 60    | 82.398 |
| V5      | 251                    | 1244             | 251                   | 72                 |                             |                              |       | 72     |
| V7      | 196                    | 894              |                       | 80-90              | 60                          |                              |       | 20-30  |
| V8      | 89                     | 398              | 29                    | 20-30              |                             |                              |       | 20-30  |
| V9      | 183                    | 765              | 89                    | 105-110            | 85                          |                              |       | 20-30  |
| V10     | 314                    | 1373             | 265                   | 193                | 168                         |                              |       | 20-30  |
| V11     | 443                    | 2071             | 320                   | 79                 |                             | 54                           |       | 20-30  |
| V12     | 1285                   | 4776             |                       | 119.2              | 9                           | 34.6                         |       | 67.5   |
| V13     | 437                    | 1718             |                       | 132                | 12                          | 35                           | 0     | 85     |
| V14     | 131                    | 548              |                       | 107.5              | 0                           | 7.5                          | 0     | 100    |
| V15     | 555                    | 2322             |                       | 160                | 95                          | 11                           | 0     | 54     |
| V16     | 137                    | 590              |                       | 244                | 82.8                        | 56.2                         | 54    | 51     |
| V17     | 360                    | 1470             | 200                   | 74                 | 38                          | 6                            | 0     | 30     |
| V18     |                        |                  |                       | 167.4              |                             |                              | 29.6  | 57.79  |
| V19     |                        |                  |                       | 52.5               | 22.5                        |                              |       | 30     |

Note: The amount of the fund has to be multiplied with 10,000 Yuan

### *Increasing the transparency of the use of poverty alleviation fund*

Under the village development planning system, the poor villagers know about the content of the plan no matter whether they are involved in the formulation process or not. Once the village development plan is approved by the county authorities, it is socially validated although it is still not legally validated in the strict sense. This will bring psychological pressure for those people who attempt to misappropriate the poverty alleviation fund for other purposes.

*In Province B, 1,200 key alleviation villages have been identified. The provincial government decides to allocate 500,000 Yuan to each village over a period of 4 years. This decision was announced on a news release meeting to let the whole community, especially all the villagers know about it. In village C, 80% of the villagers participated in the formulation process of the village plan. Firstly, separate villager group meetings were held to put forward the project proposals. Then the village committee held a meeting for the representatives from these groups to discuss these proposals. In this way the village poverty alleviation plan was finally formulated. The plan was put on the public bulletin board so that all the villagers can see it. The farmers who would participate in the project left their fingerprint on the document as*

*approval. The project-based fund approved by the County Poverty Alleviation Office was also put on the public bulletin board. Most of the villagers believed that this process is transparent and democratic.*

Since the implementation of the participatory village development planning, villagers know more about the development progress of their village's projects. Monitoring data indicates that in 2002, 65.4% of the households know that there are supporting projects in their village coming from outside, and 58.5% of the households know whether there is new project or new fund in their village. 53.8% of the households know about the content of the project. In 2005, 75.9% of the households know whether there is new project or new fund in their village. In the mean time, more farmers know about the supporting project through the formal channels of public village affair system. In 2002, the proportion of these farmers is 33.8%. But in 2005, this proportion increased to 70.2%.

### **Challenges for Future Participatory Village Development Planning**

The village development planning based on the village-level project is a fundamental transformation for poverty alleviation effort in the new century. This transformation makes it easier to more precisely target at the poor groups and help these poor groups to participate in the village development planning. In this way the poverty alleviation projects can be more suited to the needs of the poor group. As a newly-appeared institutional arrangement, the participatory village development planning is not well-coordinated with the top-down Chinese administrative system and therefore faces some challenges.

Firstly, the targeting is difficult. Theoretically the village-level targeting system has effectively improved the county-level targeting system. But in reality, due to the limitations on operation cost, baseline data, and the capacities of the working staff, the PPI method cannot be really completely adopted. There are still many technological and instrumental problems for the identification of poor villages, therefore some errors appeared. Another point is that although the identification of the poor village can cover 83% of the poverty population, we still do not know how to distinguish the remaining 20% of the poverty population. Return-to-poverty has become a complicated and often-appeared problem. Because of the lack of a dynamic monitoring system and the high operation cost in identifying the poor villages, the targeting of the return-to-poverty population has become a problem that needed to be solved urgently.

Secondly, the supply of poverty alleviation fund is not sufficient. According to the statistic data of the mid-term evaluation in 70,000 villages of 16 provinces in 2004, the total amount of the planning fund of each village is 2.28 million Yuan. However, the input fund is 340,000 Yuan, accounting only 15% of the total demand. Even all the poverty alleviation fund was used for the poor villages which has started the village-level project (so far only 32% of the poor villages have started this kind of project), the average fund allocated to this kind of village is 96,000 Yuan. Therefore we can see that compared with the practical need, the practical investment and the planning investment are seriously insufficient. This insufficient supply of the poverty alleviation fund has resulted in improper implementation of the village plan. Even the plan can be implemented, it is limited to some simple small-scale infrastructure projects, impeding the authentic development of the village planning.

Thirdly, participatory village planning provides a technology safeguard for the village-based poverty alleviation project. Therefore this planning has important political and social meaning. However, there are some technical problems for the formulation of the plan, affecting the implementation of this plan. These problems include: (1) The village poverty alleviation planning system has not been fully accepted by the various authority institutions and local governments. People take it just as a new model for the poverty alleviation work, therefore it is very difficult to coordinate and integrate the use of the government resource according to this plan. In many places, people think that the village-level project is under the area of poverty alleviation and the only fund which the poverty alleviation system can mobilize is the financial development fund. (2) Since there is no agreement between the funding agencies and the project management agencies, the funding demand of the village-based development project can not be met through the cooperation of different funding source. If the project only depends on the financial poverty alleviation fund, there will be a big gap over the fund use for the

implementation of the project. The poor farmers complain about the government's failure to supply enough fund and they even think the government is deceiving them, whereas the poverty alleviation system can do nothing since they have no decision-making power regarding to the use of fund. This has seriously affected the accountabilities of the government. (3) So far the participatory poverty alleviation planning falls at the level of simple projects. There is serious shortage of the project staff and grass-root level technicians. The poverty alleviation plan can not provide matching fund to pay for the related technology service, badly influencing the quality of the poverty alleviation plan and the technical service to implement this plan.

Fourthly, how to secure the majority of the poor farmers to truly participate in the decision-making process of the village development plan is a big challenge. The crucial issue here is a structural adjustment of the control over the poverty alleviation resource. In general, decision making power is still in the hands of powerfulness. Currently, ADB is supporting LGOP to test government-non government model for fund management. This process includes two parts. One is to shift the planning authority from the county and township level to the village level. The other is to shift from the village level to the household level. In many places, although the planning power has fallen to the village level and the villagers do participate in the formulation of the plan, the decision-making power has fallen into the hands of the village elites, thus creating a new moral hazard. It has been proved that a feasible way to avoid village elite's domination over the use of poverty alleviation resource is to announce the use of the funds to the public. Transparency is given to the farmers who can select the projects freely. The village management can represent the interests of the majority of the farmers and a democratic decision-making mechanism has been formulated. In many villages, the document of the village development plan, together with the name list of the households which gain the project support and the fund are put on the public bulletin board. This is a feasible mechanism to minimize the elites' domination over the village affair.

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