

IFAD projects: results and impact on poverty reduction in rural China

Chuanmin Shuai, Zhou Li and Ruomei Sun

Abstract: *This paper analyses the economic, social and ecological benefits of projects of the International Fund for Agriculture Development (IFAD) in China during the past two-and-a-half decades. An investigation was carried out through field visits to Jilin, Anhui, Shaanxi and Qinghai provinces and a comprehensive assessment was made of 12 IFAD projects in 13 provinces. The authors offer a systematic examination of the projects' impact on China's rural poverty reduction in five respects: food security, women and vulnerable groups, government policies on poverty reduction, state policies on rural finance, and institutional and capacity building of the Chinese government and the community. It is concluded that IFAD projects have achieved outstanding results and far-reaching impacts, and have played an important role in rural poverty reduction. Finally, with regard to policy recommendations, the authors propose that the Chinese government should: (a) continue to cooperate with IFAD for rural poverty reduction; (b) play IFAD's demonstrative role in other poor areas of China; and (c) facilitate the institutional reform of China's rural financial system.*

Keywords: *IFAD; poverty reduction; development; project management; project impacts; China*

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Poverty reduction is a common mission of humankind. Since its reforms and opening to the outside world, China has made tremendous progress in rural poverty reduction, for which it has received worldwide recognition. The number of people suffering absolute poverty decreased from 250 million in 1978 to 21.48 million in 2006, and poverty incidence has declined from 30.7% to 2.3% accordingly. China is the only country in the world that has realized the Millennium Development Goals of the United Nations of halving the poor population, and has done this ahead of schedule. The country's persistent effort towards poverty alleviation has been considerably aided by the International Fund for Agriculture Development (IFAD), which has made a remarkable contribution to rural China by providing micro-credit projects. Between 1981 and 2006, IFAD provided US\$488.51 million in long-term favourable loans to 19

project areas in China, covering more than 130 counties (cities) in 24 provinces (autonomous regions or municipalities). The effective implementation of these projects has assisted in the improvement of agricultural production and farmers' living conditions, adjusted the structure of agricultural production, ensured food security, and increased farmers' incomes in the project areas. These projects have also promoted socioeconomic and ecological development, and have enabled over 15 million beneficiaries to overcome poverty in rural China.

In September 2006, at the point of starting a new round of cooperation between China and IFAD, a consultancy group was dispatched to the selected project areas jointly by the Ministry of Finance of China and IFAD to undertake a comprehensive evaluation of IFAD project results and impact in China. Through field investigation in Jilin, Anhui, Shaanxi and Qinghai provinces and a

Table 1. Changes of farmers' net income for selected IFAD projects in China (comparison of before and after project).

	Number of households	Project area population	Net income before project (RMB)	Net income after project (RMB)	Value added (RMB)	Increase (%)
<i>Total</i>	1,527,733	6,334,761	794.88	1,752.63	957.75	120.49
1. Shaanxi 517_CN	244,730	938,920	765	1,375	610	79.7
2. Hubei 517_CN	181,460	723,936	777	1,042	265	34.1
3. Chongqing 424_CN	93,340	363,429	709	1,291	582	82.1
4. Haidong in Qinghai 424_CN	57,345	262,300	315	691	376	119.37
5. Hainan in Qinghai 364_CN	56,000	325,000	589	907	318	53.99
6. Southwest Anhui 451_CN	123,410	514,319	521	1,558	1,037	199
7. Beicheng in Jilin 300_CN	378,252	1,588,857	748	1,184	436	58.2
8. Shanxi 281_CN	111,200	448,000	290	1,800	1,510	520.69
9. Northern Pasture in Neimeng, Hei Longjiang, Hebei 62_CN	37,366	177,000	103	403	300	291.26
10. Hebei 107_CN	35,200	175,000	205	373	168	81.95
11. Guangdong 195_CN	32,930	130,000	999	2,335	1,336	133.73
12. Yantai in Shandong 254_CN	176,500	688,000	338	1,062	724	214.20

Sources: Based on data provided by the project completion reports and monitoring and evaluation reports of the relevant provinces.

comprehensive evaluation of 12 IFAD projects in 13 provinces, in-depth analyses were carried out concerning the results and far-reaching impacts of IFAD projects on rural poverty reduction in China. This analysis enables decisions to be made about the role of IFAD projects in China's rural poverty reduction, and thus the formulation of policy recommendations for the Chinese government.

Methodology and data

This research approached the analysis via document/record searches, field investigations and project stakeholder enquiries, and used regression models for the final analysis. The data used were taken from the official reports provided by IFAD as well as project management offices (PMOs) in relevant provinces or regions in China.

Analysis of IFAD project benefits

IFAD projects have achieved great economic, social and ecological benefits as a result of the joint efforts of government agencies and project management institutions at all levels, as well as the beneficiaries in the project areas.

Economic benefits

From the economic results of 12 IFAD projects, 1,527,733 households with a population of 6,334,761 have benefited in the project areas, the farmers' per capita net incomes being raised from 794.88 yuan before the project to 1,752.63 yuan after the project: that is, increasing by 120.49%. But in the Southwest Anhui Integrated Agricultural Development Project area, the farmers' per capita net income increased from 521 yuan in 1995 (baseline) to 1,037 yuan in 2003, almost doubling (see Table 1).

Comparison of farmers' per capita net incomes between project areas and non-project areas in Jilin, Hebei, Guangdong, Shandong and Northern Pasture

shows that: (1) the increase in per capita farmers' net income in project areas (123.86%) is about 2.6 times that in non-project areas (47.83%); (2) thus farmers' per capita net incomes increased by 76.03% (123.86% – 47.83%) in the project areas due to IFAD projects, over and above any non-project factors affecting economic growth and social progress in either area (see Table 2).

A regression analysis was undertaken with SPSS 13.0 between project investment in all provinces and increment of farmers' net incomes in the project areas. The relationship between variables is shown below:

$$Y = \beta_0 + \beta_1 X + u \quad (1)$$

where the dependent variable Y stands for the total increment of farmers' net income in the project areas (yuan). Independent variable X indicates the total project input (yuan), which includes the IFAD project investment actually completed and the domestic counterpart funds. Results of the single variable linear regression on the above 12 cases are shown in Tables 3 and 4.

The regression results show that equation (1) explains 39% of the total variance of farmers' net income increment ($R^2 = 0.390$ in Table 3); IFAD total project input had a significant effect on the increase in farmers' net income in the project areas (see Table 4: $\beta_1 = 0.624$, $t = 2.53$, $p = 0.030 < 0.05$).

A paired sample T-test was undertaken to ascertain whether the difference in per capita income in IFAD project areas and non-project areas was significant. T_1 is the gain in per capita net income in the project areas (%), whereas T_2 indicates that of the non-project areas. A paired T-test of the above two groups with SPSS 13.0 generated the results described in Tables 5, 6 and 7.

Table 5 shows a difference of $155.868 - 81.790 = 74.084$ between T_1 's mean and T_2 's. This indicates that the average per capita net income in project areas is 74.084% higher than that in non-project areas. Table 7 is the hypothesis test of the two groups: H_0 ; the means of T_1 and T_2 are the

Table 2. Comparison of farmers' net income of selected IFAD projects in China (comparison of project and non-project areas).

	Changes in farmers' net income per capita in project areas				Changes in farmers' net income per capita in non-project areas			
	Before project (RMB)	After project (RMB)	Added (RMB)	Increase (%)	Before project (RMB)	After project (RMB)	Added (RMB)	Increase (%)
Total	299.13	669.63	370.5	123.86	2,760	4,080	1,320	47.83
1. Beicheng in Jilin 300_CN	748	1,184	436	58.2	1,080	1,350	270	25.00
2. Northern Pasture in Neimeng, Hei Longjiang, Hebei 62_CN	103	403	300	291.26	104	325	221	212.50
3. Hebei 107_CN	205	373	168	81.95	281	367	86	30.60
4. Guangdong 195_CN	999	2,335	1,336	133.73	970	1,399	429	44.23
5. Yantai in Shandong 254_CN	338	1,062	724	214.20	325	639	314	96.62

Source: Based on data provided by IFAD in China and IFAD project completion reports of provinces concerned.

Table 3. Model summary.

Model	R	R ²	Adjusted R ²	Std error of estimate	Durbin-Watson
1	0.625 ^a	0.390	0.329	207,823,504.966	1.675

Notes: F = 6.401, p = 0.030 < α . Dependent variable: increment of farmers' net income in project areas (yuan). ^a Predictors: (constant), total project input (yuan).

Table 4. Coefficients.

Model	Unstandardized coefficients		Standardized coefficients	t	Sig	Collinearity statistics	
	β	Std error	β_1			Tolerance	VIF
1 (constant)	-1E + 007	1E + 008		-0.087	0.933		
Total project input (yuan)	1.491	0.589	0.624	2.530	0.030	1.000	1.000

Note: Dependent variable: increment of farmers' net income in the project areas (yuan).

Table 5. Paired samples statistics.

Pair 1	T ₁ T ₂	Mean	N	Std deviation	Std error mean
		155.868	5	96.471	43.143
		81.790	5	78.360	35.043

Table 6. Paired samples correlations.

Pair 1	T ₁ & T ₂	N	Correlation	Sig
		5	0.950	0.013

same; H₁: the means of T₁ and T₂ are different. The test shows that the significance of T = Sig (2-tailed) = 0.007 < 0.05; therefore, H₀ should be rejected. Thus a significant difference exists between the net incomes in project areas and those of non-project areas. Verification is provided in Table 6. Because the correlation = 0.95 > 0 and Sig = 0.013

< 0.05, the two groups of data have a close relationship with each other and the coefficient is significant.

From the above analysis, it can be concluded that the paired sample T-test on net income in both project areas and non-project areas is reasonable, which further supports our previous statement that the difference between farmers' net incomes in project areas and those in non-project areas is significant.

Social benefit

IFAD projects also achieved good social benefit, which can be described from the following aspects:

Table 7. Paired samples test.

		Mean	Paired differences				t	df	Sig (2-tailed)
			Std deviation	Std error mean	95% confidence interval of the difference				
					Lower	Upper			
Pair 1	$T_1 - T_2$	74.078	32.938	14.730	33.179	114.976	5.029	4	0.007

(1) *The infrastructure has been greatly improved in the project areas.*

First, through the construction of rural roads, many project villages have eradicated the backwardness caused by their isolation from the outside world. The Southwest Anhui Integrated Agriculture Development Project, for instance, has built 68 km of new roads and renovated 252 km of existing roads, making every village accessible. This activity also included the construction of a bridge between project beneficiaries in the rural areas and agricultural produce markets in the cities. Second, safe drinking water for humans and animals is guaranteed. In order to solve the drinking water problem and facilitate the use of water for farmers and herdsmen, Haidong project in Qinghai province constructed 87.45 km of water diversion pipes and dug 188 wells to connect running water to the houses of farmers and herdsmen, thereby benefiting 6,638 people and 11,750 animals. Third, villages in the project areas have taken on a better appearance. The project training activities have spread knowledge about health and awakened the health awareness of the farmers, one result being that villages appear tidier and cleaner. Fourth, telecommunications in the project areas have been improved. In the Northeast Sichuan/Chongqing project areas, 60% of project villages have installed telephones, 79% of project villages now have access to electricity compared with 42% before the project began, and 36% of all households have TV sets.

(2) *Employment opportunities have been greatly increased in the project areas.*

With the development of rural enterprises, Nanpi county, part of the Hebei agricultural development project, offered jobs to 15,300 rural surplus labourers, 11,000 of whom were women. Guangdong freshwater fish-farming project constructed 2,206 hectares of fish ponds, offering many jobs for the poor households in the project areas. There are 3,296 specialized households managing fish ponds, providing employment for 6,552 farmers. The Hubei rural credit project has created 99,300 jobs, benefiting 287,000 farmers.

(3) *The agro-technological extension system has been strengthened.*

IFAD projects have reinforced the means and functionality of agricultural technical services and completed agro-technical extension systems in the project areas. For instance, the Southwest Anhui Integrated Agriculture Development Project established and renovated 35 agro-technical extension and veterinary stations in the townships, and provided the necessary technical equipment for five county agro-technical extension and

veterinary centres. Through extensive training programmes given by agricultural technicians, every household has grasped one or two practical techniques, promoting the transfer of technological achievements into productive forces.

(4) *The human capital of farmers has been enhanced.*

The implementation of IFAD projects has greatly improved the capacity for development of the farmers in the project areas. As more and more people have become prosperous through income-generating activities based on the rural industries initiated by IFAD projects, their awareness of development and prosperity has been strengthened, their enthusiasm for poverty alleviation and development has been inspired and their confidence to change the backwardness of the poor project areas has been reinforced.

Ecological benefit

IFAD projects have increased the forest coverage in the project areas and improved the ecological environment. Integrated agricultural development projects in Shanxi province have increased the project area's ability to counter natural calamities through land development. So far, the project has turned 5,533 ha of upland into paddy fields and 13,800 ha of land into high-yielding fields through the improvement of 19,300 ha of low-yielding farmland. The project has also improved 12,600 ha of grassland to prevent soil erosion and effectively balance the development of livestock and pasture. The five counties in the project areas have improved 3,133 ha of farmland and 2,267 ha of forested land through land improvement, which has effectively improved the ecological environment.

Impact of IFAD projects on China's rural poverty

The 25-year implementation of IFAD projects has not only brought about great economic, social and ecological benefits in the project areas, but it has also exerted an important and profound impact on poverty reduction in the project areas and even throughout rural China.

Impact on household food security

IFAD projects have brought about great increases in grain output, resulting in self-reliance in food supplies and even some surpluses. Monitoring statistics of IFAD projects in Shaanxi, Hubei, Chongqing, Qinghai, Anhui, Jilin and Shanxi provinces shows that grain availability in the project areas has been increased from 235.94 kg per capita

before the project to 388.81 kg after the project: that is, an increase of 152.87 kg or 64.8%. During the 5-year project implementation period of the Haidong project in Qinghai province (424_CN), grain production increased sharply, and the per capita grain availability rose from 140 to 270 kg, solving the farmers' fundamental problem of feeding livestock (see Table 8).

Similarly, the relationship between project inputs in all provinces and grain output in the project areas has been analysed with a regression model by SPSS 13.0. Results show that total inputs under the IFAD project had no significant influence on grain output increase (see Table 9: $\beta_1 = 0.386$, $t = 1.025$, $p = 0.345 > 0.05$). This may be because the majority of IFAD loans (over 70%) are used to generate revenue from non-farm activities for poor households and less than 30% is used as seasonal credit for agriculture production. In other words, IFAD project investment has had far more impact on farmers' incomes than on grain production.

Impact on women and vulnerable groups

IFAD projects have paid special attention to poverty reduction and the development of women and vulnerable groups in the project areas. Through the years of project implementation, IFAD projects have:

(1) affected the living and business conditions of women beneficiaries:

IFAD projects have introduced special loans for women and poor households, which offer opportunities for them to conduct income-generating activities. IFAD projects require women to sign their names when they receive a loan so that they can make independent decisions in their production and business activities. Women-targeted loans overcome the disadvantage of production loans concentrating on traditional male-focused production areas. For instance, through the special micro-credit, women have become equal to men in the management of, participation in and contribution to the project. In the Jilin Baicheng project, for example, the Women's Federation has worked with 3,200 non-farm specialized households, and delivered loans directly to women with skill training. The total amount of loan that the Women's Federation delivered initially was 1.34 million yuan, and later it reached 3 million yuan. The Southwest Anhui project provided 62.818 million yuan of credit for women, from which 6,363 families have benefited.

(2) improved women's development ability:

First, women's development environment has been improved. Table 10 shows that the percentages of disease incidence and illiteracy in women decreased by 25.7% and 28.4% respectively, and women's income increased by 62.5% during the Haidong project in Qinghai province from 1997 to 2000. Second, women's decision-making role has been enhanced both in family management, which reinforces their influence on family decision making, and in their ability to participate in public affairs in their communities, thus influencing community decision making. Third, female leaders' status has also been raised.

Impact on China's poverty alleviation policies

IFAD's impact on the Chinese government's poverty

alleviation policies can be described from the following aspects:

(1) *Introduction of mechanisms for targeting, classification and progression of poor populations.*

In the project design, project areas are identified and defined according to the poverty incidence and vulnerability of townships. The targeted households were selected by the village project implementation groups (VIGs). IFAD projects introduced a classification and improvement mechanism for poor households. VIGs classified all households into three groups – group A (rich), group B (poor) and group C (poorest). IFAD projects emphasized credit support for groups B and C. Poor household targeting is refined through the screening and progression process each year. Data from Shaanxi, Hubei, Chongqing, Qinghai, Anhui and Shaanxi projects show that with the implementation of IFAD projects, the number of rich households (Group A) changed from 95,893 before the project to 307,323 afterwards, increasing by 21,143 or 220%. The number of poor households (Groups B and C) dropped from 636,626 before the project to 360,798 after the project: that is, decreasing by 275,528 or 43%.

(2) *Giving priority to monitoring and evaluation (M&E) of project efficiency and beneficiaries.*

IFAD projects paid attention not only to the selection, design and implementation of poverty alleviation projects, but also to the monitoring and evaluation of project efficiency and beneficiaries, in an effort to identify deviation from the project target and the need for readjustment of project activities. There is no doubt that government officials in China focus more on project implementation than on the monitoring and evaluation of these projects. Under the influence of IFAD projects, the Chinese government realized the importance of monitoring and evaluation of project efficiency and beneficiaries, and M&E systems are being established in China for government projects.

(3) *Improving the flexibility of project readjustment.*

Despite the detailed investigation of project identification and design during the IFAD period, plus the rapid economic growth, changes in the supply–demand structure and China's economic reforms, continual promotion of industrial structures and institutional transition, the planned project activities may become invalid as a result. IFAD, therefore, has given more flexibility to the implementing institutions to readjust their project activities. This strategy has provided valuable references for the Chinese government's poverty reduction plans.

Impact on China's rural finance policy

IFAD projects' impact on rural finance policies is revealed in the following:

(1) *Cultivation of rural financial institutions by providing low-interest loans.*

The risk with China's current practice of providing low-interest loans is that they are likely to be used by rich farmers who are closely involved with the government or with financial institutions. IFAD provides low-interest loans for financial lending institutions (the Rural Credit

Table 8. Changes in average grain production in project areas (comparison of before and after project).

	Food per capita before project (kg)	Food per capita after project (kg)	Amount added (kg)	Increase rate (%)
<i>Total</i>	235.94	388.81	152.87	64.79
1. Shaanxi project 517_CN	230.92	303.5	72.58	31.43
2. Hubei project 517_CN	278	353	75.00	26.98
3. Chongqing 424_CN	369	448	79.00	21.41
4. Haidong project 424_CN	140	270	130.00	92.86
5. Hainan project 364_CN	130	256	126.00	96.92
6. Southwest Anhui project 451_CN	135	281	146.00	108.15
7. Jilin project 300_CN	233	581	348.00	149.36
8. Shaanxi project 281_CN	371.6	618	246.40	66.31

Source: Based on data from project completion reports and monitoring and evaluation reports.

Table 9. Coefficients.

Model	Unstandardized coefficients		Standardized coefficients β_1	t	Sig	Collinearity statistics	
	β	Std error				Tolerance	VIF
1 (constant)	-2E + 007	2E + 008		-0.138	0.895		
Project total input (RMB)	0.575	0.561	0.386	1.025	0.345	1.000	1.000

Note: Dependent variable: increasing amount of food in project areas (kg).

Table 10. Change in indicators for women's development in the Haidong project area of Qinghai province, 1997–2000.

	1997	1998	1999	2000	Increase (%)
Women's net income (yuan)	112	112	156	182	62.5
Women's disease incidence (%)	55.0	55.0	49.0	29.3	-25.7
Women's illiteracy rate (%)	67.3	64.3	52.1	38.9	-28.4

Source: WFP 5717/IFAD 424 Project in Qinghai, China. 1997–2003.

Cooperatives [RCCs], for instance), which then deliver micro-credit to the targeted poorer households at market interest rates. Because the rich farmers need large amounts of loans, strictly limiting loans to specified (smaller) amounts makes it possible to target poor farmers with their lesser needs. Providing low interest rates for the borrowing done by financial institutions not only covers the extra cost of micro-credit delivery, but also helps the institutions to grow quickly. This rapid growth of rural financial institutions plays a very important role in promoting the development of the poor areas. Although the practice of IFAD projects has not so far had an obvious effect due to its early appearance in China, it is certain that the influence of this practice on China's rural financial policies will become greater with the development of the country's ongoing rural financial reform.

(2) *Setting up mechanisms for rural financial institutions to participate in poverty reduction.*

IFAD approaches have shown that rural financial institutions can play a positive role in alleviating poverty as long as strict controls over internal regulations and external audit systems are in place and appropriate assistance is provided. Although Chinese project management staff have not widely accepted IFAD's principle that rural financial institutions are important in reducing rural poverty, the influence of this principle on rural financial policies will reveal itself eventually with the continuous development of China's rural finance.

Impact on institutional capacity building in government and rural community-based organizations

IFAD projects exerted great influence on government organizations, project management offices (PMOs) and rural community-based organizations, and clearly promoted the institutional and capacity building of these agencies.

(1) Strengthening the need for cooperation between government organizations.

From the beginning of the 1980s, government organizations were given an example to follow (with regard to cooperative ability) with the appearance and implementation of IFAD agricultural and rural integrated development projects aimed at poverty alleviation. Project-leading groups at all levels were then established and led by government leaders (governor of the province, city mayor, prefecture administrator, county/district magistrate, head of township). A provincial Project Management Agreement was signed to strengthen the cooperation between different departments, setting up a framework for government departments so that they could offer help and cooperation in the implementation and management of IFAD projects. The effective functioning of this project management framework guaranteed the smooth implementation of IFAD projects and also provided a model for other poverty alleviation projects in China. For example, Hubei set up a project-leading group in 1984 for IFAD project 153_CN (Hubei rural credit project). Later on, a number of project-leading groups were set up for other projects.

(2) Increasing the management ability and efficiency of PMOs.

In order to make sure that PMOs acted at all levels as the directing and coordinating centre, IFAD carried out extensive training on project management, including annual project management workshops, developing start-up workshops to launch every project, and several PRA and M&E training classes, involving over 1,700 project management officers. This has contributed greatly to the capacity building of PMOs. IFAD also provided project management hardware, offering computers, printers, fax machines, photocopiers, digital cameras and vehicles necessary for project management and project monitoring and evaluation. During the IFAD project implementation period, the latest management tools and methods, such as Vulnerability Assessment Mapping (VAM), were also introduced, thereby raising the accuracy of targeting the poor and vulnerable townships, and the Participatory Rural Approach (PRA) tool, which encourages farmers to make decisions for themselves, was also introduced. The adoption of the PRA tool has changed the Chinese traditional top-down decision-making modality and enhanced democratic and scientific decision making on project identification and selection.

(3) Cultivating management personnel for international projects.

For the last two-and-a-half decades, many project officers have improved their professional ability and versatility and have been promoted for their work. According to the statistics of Jilin Provincial PMO, there were 1,506 officers participating in the project management and implementation during the preparation, implementation and rolling period (1989–2006), out of whom 116 officers, or 7.7% of the total number of officers, have been promoted. Out of all the 284 women officers, 21 (7.04%) have been promoted. The proportions of men and women promoted are basically equal.

(4) Changing the philosophy of project officers.

The implementation of IFAD projects increased the sense

of openness and the awareness of competition amongst the project officers. In particular, the philosophy change to bottom-up democratic decision making, targeting vulnerable groups, women and children, has played an important role in changing the ideas of project officers at all levels.

(5) Promoting the growth of rural community-based organizations and strengthening farmers' awareness of self-governance.

The implementation of IFAD projects promoted the progress of agro-industrialization, as well as the growth of rural community-based organizations and especially the growth of farmers' associations in the project areas. Various kinds of farmers' associations have emerged in the project areas, connecting scattered 'micro-scale production' to the responsive 'macro-scale market', which has solved the marketing problem of many farmers and promoted their degree of organization with an increased awareness of self-governance. According to Jilin IFAD PMO, there are 92 farmers' associations in the project areas, with 53,600 households participating, among which there are five women's associations with 7,230 households involved.

Conclusions and policy implications

Conclusions

Based on the above analyses, the following conclusions are drawn:

(1) The results of IFAD projects in China are positive.

The analyses show that IFAD projects have achieved obvious economic, social and ecological benefits, improving farmers' production and living conditions in projects areas with increased grain yield and income. Significant contributions have been made to solving the basic problems of poverty and hunger of the poverty-stricken people, strengthening rural infrastructure and agro-technical services, and improving the ecological and community environment.

(2) The impact of IFAD projects on poverty reduction in rural China is far-reaching.

Direct impacts include the ideas of designing poverty alleviation projects to include scientific and beneficiary participation in decision making, targeting and paying sufficient attention to women and vulnerable groups. The mechanism of classifying and graduating poor households, capacity building, and providing tools for project management such as the monitoring and evaluating systems are also critical components. Indirect impact is often more influential, especially IFAD's impact on China's rural financial policies, poverty alleviation policies and the awareness of cooperation and coordination among government agencies.

(3) The role of international projects for poverty reduction in China is significant.

The participation in China's poverty reduction from the international community, including IFAD, has played an important and irreplaceable role in China's poverty alleviation process over the last two-and-a-half decades. First, international projects play an obvious catalytic role

in drawing attention and counterpart funding from the government and from all fields in society. Second, advanced ideas of poverty alleviation and tools and methods of modern project management have been brought in, which will exert a far-reaching positive influence in the long term. Third, valuable experience has been accumulated from trials on the models of poverty alleviation and micro-credit delivery to poor farmers, which will play a leading and demonstrative role in China's poverty alleviation development in the years to come.

Policy implications

It is recommended from this analysis that the Chinese government should:

(1) *Pay attention to the role of international poverty reduction projects and continue to cooperate with IFAD.*

Practices have proved that IFAD projects have brought about not only excellent results in the project areas, but also new ideology, new tools and methods for poverty reduction project design and management. The Chinese government should, therefore, seek further cooperation with international agencies such as IFAD and bilateral government or non-governmental organizations (NGOs) to make a greater contribution to poverty reduction in rural China in the new era.

(2) *Exploit the demonstration effects of IFAD projects.*

The far-reaching impact of IFAD projects in China in the fields of project design for food security, concern for women and vulnerable groups, the attention paid to capacity building, and the influences on China's poverty reduction and rural financial policies have become a valuable experience for poverty reduction in rural China. The Chinese government should apply these ideas, tools and methods to other rural areas of China in an effort to increase project management efficiency for Chinese poverty reduction projects.

(3) *Facilitate the reform of the rural financial system in China.*

The micro-credit model of IFAD projects has provided valuable references for China's ongoing rural financial reform. The Chinese government should speed up the process of rural financial reform based on these experiences in an effort to stimulate the rural financial market and provide financial institutional lessons to guarantee poverty reduction in rural China.

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