

# Rural poverty policy and the implementation in *Fugong County*

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## **Abstract**

Poverty reduction is now the major issue for Chinese government to focus on and whose success, or otherwise, will directly affect the achievement of 'Xiao Kang She Hui' (moderately prosperous society). The Minimum Livelihood Guarantee Scheme (MLGS), also known as 'Dibao' is a national means-tested program to provide cash transfers to the poor based on a locally set minimum income level. Dibao program has been operated in *Fugong County* for six years, the achievement is obvious. Moreover, for reducing the poverty, the local government also applied the supportive policies based on local agriculture conditions. This paper mainly focuses on the poverty policy, trying to describe the rural poverty policy implementation in *Fugong County*, explore related policy recommendations based on 'production of space' theory. Specifically, this paper will divide into three main themes based on the focused topic. The first theme will overview the Dibao program in China and the background of *Fugong county*. The second theme will describe and explore the implementation of Dibao program, the other related poverty reduction program in *Fugong County* also described. The last theme for this paper is to discover the local

policy recommendations for the future poverty reduction. For the better anti-poverty policy, 'production of space' theory is applied to emphasize the local people's idea should be take into consider to make the better poverty reduction in current place.

**Keywords:** Poverty Policy; Poverty Reduction; Implementation; Policy Recommendation, Fugong County

## บทคัดย่อ

ปัจจุบันการลดความยากจนเป็นประเด็นที่สำคัญสำหรับรัฐบาลจีนและมีความสำคัญต่อความสำเร็จของนโยบายสังคมที่เจริญรุ่งเรืองในระดับปานกลาง (Xiao Kang She Hui) โครงการประกันการดำรงชีวิตขั้นต่ำหรือที่รู้จักในชื่อ Dibao เป็นโครงการที่รัฐบาลจ่ายเงินให้แก่ชาวบ้านที่มีระดับรายได้น้อยตามเกณฑ์ของ Azum Zen โครงการ Dibao ได้ดำเนินการมาเป็นเวลาหกปีที่เมือง Fugong และประสบความความสำเร็จที่เห็นได้ชัด นอกจากรัฐบาลท้องถิ่นยังใช้นโยบายการลดความยากจนด้วยการสนับสนุนการเกษตรท้องถิ่น บทความนี้เน้นที่นโยบายความยากจน โดยจะกล่าวถึงนโยบายความยากจนในชนบทที่เชื่อมโยงกับทฤษฎีพื้นที่เพื่อการผลิตที่นำไปปฏิบัติในเมือง Fugong โดยเฉพาะบทความนี้แบ่งออกเป็นสามส่วน ส่วนแรกจะเป็นภาพรวมของโครงการ Dibao ในประเทศจีนและข้อมูลพื้นฐานของเมือง Fugong ส่วนที่สองจะอธิบายถึงการดำเนินงานของโครงการ Dibao และโครงการลดความยากจนอื่นๆที่เกี่ยวข้องในเมือง Fugong ส่วนสุดท้ายของบทความนี้คือ คำแนะนำต่อนโยบายท้องถิ่นสำหรับการลดความยากจนในอนาคต สำหรับนโยบายต่อต้านความยากจนและทฤษฎีพื้นที่เพื่อการผลิตที่มีความสำคัญต่อความคิดของคนในท้องถิ่นจะทำให้เกิดที่ใช้ในการลดปัญหาความยากจนได้ดีกว่าปัจจุบัน

**คำสำคัญ:** นโยบายความยากจน การลดความยากจน การนำนโยบายสู่การปฏิบัติ คำแนะนำต่อนโยบาย เมือง Fugong

## Introduction

China, as the biggest developing country, made a great success in reducing poverty, by using the poverty line of less than US\$ 1.25 per day, the share of China's rural population living in poverty was reduced from 46 percent in 1990 to 10.4 percent in 2005, however, the current situation is still challenging, China still has a large number of poor people, the income gap continues to widen between urban and rural areas and among different regions. This requires the government to make more support policies that are pro-poor. The Minimum Livelihood Guarantee Scheme (MLGS), popularly known as Dibao (both MLGS and Dibao will be referred as DB in the future), has been the Government of China's main response to the new challenges of social protection in the more market-based economy. DB and its framework aims to support the low income people to get a basic living standard. DB program has been implemented in Fugong county for over 6 years, in order to reach the better understanding of this policy, this paper will study the DB program to give the brief introduction and its framework of education support, health insurance, etc. Furthermore, this paper focuses mainly on the poverty policy in rural Yunnan province, trying to study and describe the rural poverty policy implementation in rural Fugong county. For the better development in Fugong county, researcher applies the 'production of space' theory which emphasize the importance of local people's idea for supporting the policy suggestion.

## The Minimum Living Guarantee Scheme (DB program)

The economic reforms in China started in 1978, operated by former Prime Minister Mr. Deng Xiaoping, which allowed some people to become rich first and then help the poor. The economic reforms are succeeding. Unfortunately the economic reforms have led to a large rise

in the number of redundant individuals who are unable to find employment due to their age or skill levels. Due to the challenging issues, the government of China determined to set up a policy to guarantee the basic living standard.

In the last decade and half, a number of measures have been implemented in China, aimed at strengthening the poverty assistance system. Family support and the enterprise-based schemes constituted the cornerstone of poverty assistance in China, but demographic change, migration and economic reforms required structural changes. So, here the Chinese government set up a policy which aims to make money transit to the poor to guarantee their basic living standard, the policy is Minimum Living Guarantee Scheme, known as DB program, it constitutes the social assistance component, responsible for ensuring minimum living standards for poor and vulnerable households. The DB is intended as a residual component of the poverty assistance system, providing a safety net (Hussain, 2003). The DB was first piloted in Shanghai in 1993, and was later extended to other large cities.

The DB program operated in the rural area of China in the year 2007, which has four kinds of way to help the poor:

1) Money transit, since the economic development level is different, the local government will set its own DB line based on the cost of 20 essential items of goods and services for basic subsistence, this line is different as the poverty line, DB line is for guarantee the basic living standard, for the poor's income cannot meet the local DB line he or she could apply the DB money transit;

2) Education support, since central government has already set the compulsory education law, the children will be forced to go to school, however in the rural area, the law-consciousness is not completed, the

DB program will encourage the children, and give the allowance to the students to go to school;

3) Basic health insurance, for the DB holders they do not need to pay anything for the health insurance, they could get the basic health care, for the one who cannot get the DB, he or she only need to pay a little for the insurance to get the health care;

4) Low rental fee house, the government offer the house to the low income householders, for the DB holders, they have the priority to apply the low rental fee house.

### Background of Poverty in Fugong County

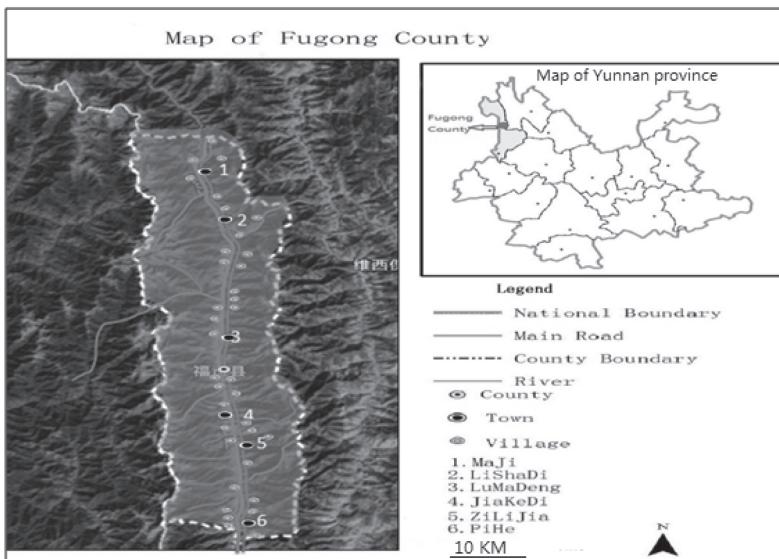


Fig. 1 *Map of Fugong County*, made by author

Fugong County is located in the northwestern part of Yunnan Province, 684 kilometers from the capital city (Kunming), since Fugong

County is direct transition from primitive society to nowadays, the poverty issue is challenging which makes it ranking the poorest county in Yunnan province. Fugong County has 6 towns, the population in Fugong County is 98,616, with 26,472 households, more than 74.3 % of which are Lisu Ethnic, the rest are Nu Ethnic, Bai Ethnic, Han Ethnic. Over 77.9 % of the population believes Christ (2012). The average net income of the rural people is around 1,832 Yuan (2012). It is lower than the poverty line set up by the central government which is 2300 Yuan. The poverty rate is around 87.2 % of the whole agriculture population in Fugong County. Since more than 97 % of their homeland is mountain, the farmland is limited. According to this situation, the cultivated area of agriculture, per person, is 1.2 mu, equal to 0.08 hectares<sup>1</sup> (2012).



A corner of Fugong County



Native Ethnic

The reason why the rural area has such a high rate of poor people, might be concluded as below,

- 1) For the people who live in the rural area, belong to 'non-agriculture', he or she does not have any kind of farmland, only relying on work income, economic reforms have led to a large rise in the number of redundant workers who are unable to find employment due to their age

<sup>1</sup> Data source: Fugong County Year Book,

or skill levels. Males over 50 years of age and females over 40 years of age, who lose their jobs are referred to as “40/50”. The Cultural Revolution happened when they were young and disrupted their formal education, once they lose their jobs they have little chance of finding another one. Laid-off workers receive the support of their enterprises for up to three years, but if they are unable to find a job after that period, their only source of support is from the local government.

2) For those who live in the rural areas, and belong to the ‘agriculture’ sector, the situation is different. They have their own farmland, they were not expect to gain education and knowledge, what they are concerned with the most is the farmland. They eat what they plant and sell what they plant. However, Fugong County is far from the urban area, factories. Moreover, there is only one main road in the county, their product is not organized or industrialized, so their income is dependent on nature. If they have a good year without any disaster, they may get more income by selling their products, however, if they have a heavy natural disaster, their income will be decreased and sometimes they may not survive on their limited products, they could only relay on the local government support them provisional remedies. The farmland is the life of the farmer, since the farmer could not get enough farmland, their poverty issue will be so much more serious.

In the year 2012, there are more than 78,200 people, 87.2 % of the whole population with income under the national poverty line, the poverty situation is ranked in the last third of whole county in China, this situation is challenging<sup>2</sup>(2012).

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<sup>2</sup> Data resource: Fugong Government Yearly Report, 2012

## The Implementation of DB Program in Fugong County

As mentioned above, Fugong County ranked the poorest county in Yunnan Province<sup>3</sup>, the agriculture products could only self-reliance, for the local farmers they do not have too much rest of agriculture products to be traded in the market. DB program as the national policy play an important role in this area. The implementation of money transit and the health care will be described in the following part.

### DB Money Transit

In Fugong County, the local government set the DB standard line each year<sup>4</sup>, based on the purchasing power parity and the cost of 20 essential items of goods and services for basic subsistence, the DB line changed from 480 Yuan/year (2007) to 1096 Yuan/year (2012), if the applicant's incomes lower than the 1096 Yuan/year (2012), equal to 91Yuan/month, they could apply the DB. The figure 2 indicates the population who receive DB, and DB subsidy standard in Fugong county.

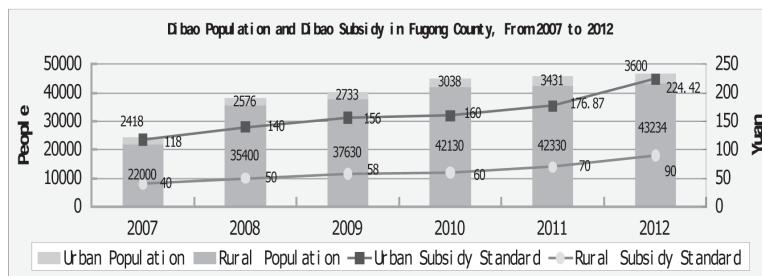


Fig. 2 The Population of DB holder and subsidy in Fugong County, from 2007 to 2012

*Data Source: Fugong County Year book 2007-2012. Calculate by the author*

<sup>3</sup> Fugong Government Yearly Report, 2012

<sup>4</sup> Fugong Government Yearly Report, 2007-2012

Since the National Poverty Line increased from 1067 Yuan (Year of 2007) to 2,300 Yuan (Year of 2012), the poverty population also increased. With the DB money subsidy, the poverty population's income will increase and when the income meets the poverty line, the DB holder will reach the national poverty line and the poverty population will decrease. Table 1 indicates the income of the DB holder (who belongs to the 'agriculture' sector) pre and post the DB.

Pre- DB Unit: Yuan			Na- tional Poverty Line	MDG Pov- erty Line	Post-DB Unit: Yuan		
Year	Aver- age Net Income	Subsidy Stand- ard			In- come+ Subsidy	NPL Status	MDG- PL status
2007	949	480	1067	3558	1429	Success	Fail
2008	1063	600	1067	3190	1663	Success	Fail
2009	1148	696	1196	3116	1844	Success	Fail
2010	1460	720	1500	3088	2180	Success	Fail
2011	1834	840	2300	2956	2671	Success	Fail
2012	2293	1080	2300	2761	3373	Success	Success

Table 1 Pre and Post DB subsidy for the DB holders

*Data source: Fugong County Civil Affairs Bureau Statistical Year Book.2007--2012, calculate by the author*

1. USD-CNY rate From Central Bank of China. Rate from 2007-2012.
2. Average Net Income, Subsidy Standard from Fugong Civil Affairs Year Statistical Book. 2007-2012
3. China Poverty Line Data source from China Civil Affairs Statistical Year Book.2007-2012.
4. The unit is Yuan/year.

Year	DB beneficiaries	% of Agriculture population
2007	22000	25.58%
2008	35400	40.68%
2009	37630	42.76%
2010	42130	47.33%
2011	42330	47.53%
2012	43234	47.82%

Table 2 Coverage of DB in Fugong County 2007-2012

*Data source: Fugong County Year Book 2007 to 2012, calculate by the author*

*Note: 2007 is the first year of DB in rural, the coverage rate is lower than the average.*

Table 1 shows the result of the DB Subsidy. Post DB, their income increases over 50% from the pre DB income. Fugong County 's total DB expenditure in 2012 was 82.92 million Yuan, amounting to 14.293 % of the county's budget<sup>5</sup> (2012).

The DB expenditure came from central government support, province finance support and Fugong County finances. Table 2 shows the trends in DB beneficiaries. The Fugong County's DB increases the rural DB holder's basic living standard, they do not need to worry about their basic living standard. 100% of the rural DB holders' income reaches the national poverty line. Based on that, the number of absolute poor has been decreased.

However, we may see from the table 2, the average cover rate is 45.22 %. The rest of the poor cannot get the DB money transit to guarantee the basic living standard. The poverty issue is still challenging.

<sup>5</sup> Data from Fugong County Civil Affairs Bureau

## Health Insurance

Due to the poor conditions, before the DB program operated in Fugong County, most of the local farmers cannot offer the health treatment fee. Moreover, most of them live in the high mountain area, which will take 2-3 hours to the hospital to get the health treatment, which block the convenience to check the doctor. According to this situation, most of them do not want to get the treatment in the hospital, they prefer the nature way treat their pain. Some of them are Christian, they will ask the friend to sing the hymn to cure the pain.

With the help of the DB program, the holders could easily go to hospital for a check-up, as Table 3 shows, the DB holders do not need to pay any money, the central government and local government will pay for the DB holder. Furthermore, the holder could go to the higher-level hospital to check their health and the maximum-free fee for checking their health will be 12,000 Yuan/year. If the fee is higher than 12,000 Yuan/year, the holder needs to pay the extra. However, the health insurance will reimburse the extra fee, if they check their health in the county hospital, the insurance will reimburse 80 % of the extra fee, if the patient goes to another place to check their health, and the insurance will reimburse 70 % of the extra fee. In the year 2012, the local government expended 13.91 million for the health insurance and reimbursing the extra money, benefiting more than 250,000 people (times)<sup>6</sup> (2012).

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<sup>6</sup> Data from 2012 Fugong County Government Report

Project	Urban Holder	Rural Holder
Money Paid	312 Yuan/year- 352 Yuan/year	290 Yuan/year
Money from	Central Government 124 Yuan/year Local Government 188 -- 228 Yuan/ year	Central/Local Government: 290 Yuan/year
Maximal Free treatment fee	16000 Yuan/year	12,000 Yuan/year
Reimbursed Rate	Low level Hospital: 80 % Middle level Hospital: 65 % High level Hospital: 55 %	Low level Hospital: 80 % Middle level Hospital: 70 %

Table 3 Urban and Rural holder's basic health insurance, Yunnan Province 2012

*Data source: Yunnan Civil Affairs Statistical Year Book, 2012*

DB program and its framework as the national poverty policy trying to reduce the poverty problem in China. The implementation in Fugong County made a good success. The money transit help the local poor farmers to increase their income, also achieved the UN's poverty line; for the basic health care, which could help the local farmers get better health treatment.

Due to the special situation in Fugong County, the national policy is not enough for helping the local people. Base on this, local government makes several projects regarding to the current agriculture situation and local farmers' traditional way of life to help the local farmers to increase their income.

## Current Agriculture Situation in *Fugong County*

The local government always take 'Agriculture, Farmers, Rural' which known as 'San Nong Wen Ti' (三农问题) as the first priority to deal with. By the year 2012, the total value of agricultural output of Fugong County is around 167.08 million Yuan, yearly increase 6.9 %, the total amount of grain product is around 2,583 tons, yearly increase 1.7 %. The total plant area of the grain is around 190,000 mu, equal to 12,667 hectares, while most of the plant area is corn. Since the over 97 % of the homeland is mountain<sup>7</sup>, the slope of the mountain is more than 40 degree , the rice area is limited. Based on the total amount of grain product, the average grain product of local farmers is around 356 kilogram.

For the grain product, the local householders normally use it to feed the pigs and chicken, the rest of the grain products will left and use it as the daily food. Since the farmland is limited for the local farmers, so the products also limited. They do not have too much corn or rice left to make the trade in the county, and because every householders plant the corns and some vegetable, so they do not need to trade in the market, they eat what they plant.

For the livestock, almost every householder has the pig and chicken. For the livestock they could sell it every Friday in the traditional market (see the pictures below) . The price of the hens is about 20 Yuan/kilogram, for the cocks, the price will be lower, around 15-16 Yuan/kilogram (2013). For the pigs, if the pig is suckling pig the price will be 25 Yuan/kilogram, for the mature pigs, the price will depend on the position, average price is about 22 Yuan/kilogram (2013). After selling the livestock, the average income could be increased about 812 Yuan/year. According

<sup>7</sup> Fugong Government Yearly Report, 2012

to the report by the local government, about 124,000 livestock, (mainly pigs and chicken) totally amount about 5,500 tons be sold to the outside<sup>8</sup>.



Selling pork in the market



After shopping in the market

Every Friday is the traditional Market of Fugong County, on that day the local people travel from the top of the mountain to the county to buy some daily supplies. The livestock will be sold by the local farmers in the traditional market, while for the vegetable and fruits will be imported from the other county to make the trade<sup>9</sup>.

### Traditional Way of Life

In order to make a clear view of the local farmer's traditional way of life, researcher made a field research in Fugong County, Zilijia village. During the field research, researcher interviewed 33 householders, 113 local farmers. One case will be presented to indicate the local farmer's traditional way of life (Bi Chuanchen, 2013).

<sup>8</sup> Data resource: Fugong Government Yearly Report, 2012; primary data from author's field research, 2011

<sup>9</sup> all the price information comes from the author's field research, 2011-2012

This household has six members: one couple, male is 42 years old, female is 39 years old; four children, two of them are still receiving education, their education is free. The man of the house is my respondent. The author follows the man of the house, trying to find his track of daily life. Moreover, the author conducted the interview related to daily life. Figure 3 indicates the monthly frequency of the respondent's activities in the village.

According to author's fieldwork, author found the respondent's daily life is simple, table 4 shows the daily life of the current respondent. From which we may have a clear view that after get up the respondent has to go to the farmland to collect the corn and stay there more than 3 hours, and go back to the house get some food to eat, take a rest in the kitchen, after that go to the farmland again until night. The life is simple, which indicate the local farmers' life rely on the agriculture.

Place Time	House			Village	Note:
	Bed Room	Living Room	Kitchen	Farmland	
Before 8 am	●				
8am-9am				●	
9am-10am				●	
10am-11am				●	
11am-12am			●		
12am-1pm			●		
1pm-2pm			■	□	
2pm-3pm				●	
3pm-4pm				●	
4pm-5pm				●	
5pm-6pm				●	
6pm-7pm				●	
7pm-8pm			○	▲	
8pm-9pm		●			
9pm-10pm	□	■			
After 10pm	●				

Note: Duration of stay ● : 50—60min ○ : 40—50min ■ : 30—40min □ : 20—30min ▲ : 10—20 min △ : 0—10min

**Table 4** Daily life of respondent

Data source: primary data from author's field research, 2011(Bi Chuanchen, 2013).<sup>10</sup>

<sup>10</sup> Note: primary data from researcher's fieldwork in 2011.



Collecting corn



Woman makes food at kitchen

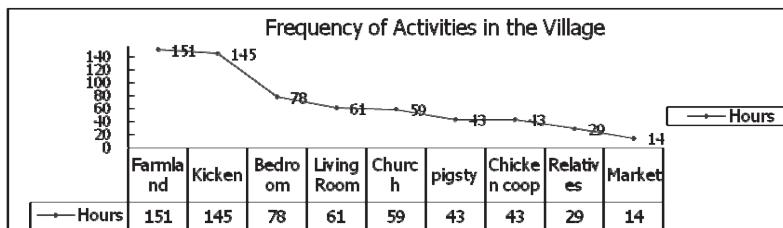


Fig. 3 Monthly Frequency of Respondent's Activities

*Data source: primary data from author's field research, 2011.*

Note: this table shows the respondent's activities in one month, the table was calculated by 30days daily life track.

During the one-month tracking survey, the traditional way of life explored, the first priority for the respondent is to take care of the cornfield. He went to the cornfield in the very early morning to pick up the corn and went back home very late. He spent almost 8 hours in the cornfield. He normally goes to the market on Friday, to sell the eggs or chicken in order to gain some money. Since he is the Christian, he goes to the church on Wednesday night, Saturday night, and Sunday whole day.

‘For us, we need to take care of our farmland, if we do something wrong, our product will be limited, and we cannot survive. Long time ago, our family lived at the top of the mountain, the government supported us to move down near the main road, to improve our living standard, they give us 10,000Yuan to build the new house, you can see that our farmland is far away from my house, so I need to get up early and to go to the farmland to plant the corn, if I do not do this my family have nothing to eat, and you see my farmland is separated, and very small. The mountain is too difficult for me to plant the corn and the other things, in the planting season I will do that every day, if not in the planting season, I have nothing to do, maybe I go down to the county to find something to do, like part-time job to get some money to support my family.’

‘we eat the corn we planted, also the livestock eat corn, we do not have much more left to trade with the others, in our county every households plant the corn, so we cannot trade with them.’

‘... ...last month I sold one pig to the others, I ask the friend to make the big pig down to the traditional market, and because I do not want to earn much more money so I sell the pork at the same price, 22Yuan/kilogram. I get 1832Yuan in total. Then I use this money to buy some daily supplies... ...’

‘... ...I think we not only need the money transit to guarantee the basic living standard we also need the basic farming skills and if we can plant something fit our farmland will be good... ...’

From author’s field research, 2012

Based on the current situation, the DB program could support decreasing the absolute poverty number, however their income still at the low level which need the local government to make some suggestion or local policy to reduce the poverty and increase their income.

### Local Poverty Reduction Policy

As mentioned, Fugong County is now ranking last third poorest county in China, moreover, due to the special situation, which is direct transition from primitive society to nowadays, the poverty issues are very challenging for the local government to handle with.

According to this situation, local government made several policies to encourage the local projects to reduce the poverty issues and to increase the local farmers' income (Bi Chuanchen, 2013).

### Local Agriculture Projects

#### 1. 'Mulberry & Silkworm & Silk Products' Project

In Fugong County, over 97% of homeland is mountain, the cultivated area of agriculture, per person, is 1.2 mu, equal to 0.08 hectares. Even the farmland is limited, the farmer may use the mountain area to plant the mulberry.

In 2008, through 2 years research, local government operated a project named 'Zhong Sang Yang Can' (种桑养蚕) to encourage the farmer to plant the mulberry, use the mulberry leaves to feed the silkworm, sell the silk which comes from the silkworm. The project select Zilijia village as the pilot project. In the beginning, there are 114.97 mu of mulberry planted, in the year of 2011, 1400 mu was planted<sup>11</sup>. The final goal of planting mulberry is over 2000 mu, expected to finish it before 2014. Table 5 shows the

<sup>11</sup> Fugong Government Yearly Report, 2012

products and value for selling the silk to the company. By the end of 2011, there are more than 477 householders enrolled in this project, based on the value of 2010, every households average income increase 597.5 Yuan<sup>12</sup>.

Year	Silk Products (KG)	Silk Value (Yuan)
2008	2860.5	55997
2009	29447.6	577,915.2
2010	6198.5	137662.5
Total	18061.8	370623.1

Table 5 Silk products and its value from 2008-2010

Data source: primary data from author's field research, 2011.

Note: Data of 2011 only publish in 2012.

## 2. Four One Million' Project

The climate criteria in Fugong County is stereoscopic agriculture climate, the average yearly temperature is around 16.9 °C, average rainfall is around 1,380 millimeter, the frost-free days is around 315 days, from the river to the mountain contains six vertical climatic zones, which has the obvious characteristics of dimensional climate. This perfect climate and geography environment makes the positive to operate the special bio-industry. Fugong County is the origin place to plant coptis teeta and varnish tree. The local people planted them for hundreds years. That will be easy for them to plant the local valuable plants.

In 2007, local government followed the State government's suggestion to make the 'Four One Million' project, that is 'one million mu base of forest and fruit', 'one million mu base of traditional Chinese medicine', 'one million mu base of economic fruit', 'one million mu base of livestock'.

<sup>12</sup> Data source: primary data from author's field research, 2011

By the end of 2012, the local farmers have already planted more than 5,000 mu of the traditional Chinese medicine plants, which product is around 2,500 tons which values more than 15 million Yuan. The traditional Chinese medicine product becomes the one of the main income of the local farmers.

The 'Four One Million' project plans to make the great success in both products and plant area. The project suppose to have more than 200,000 mu of the amomum tsao-ko, 80,000 mu of the coptis teeta, and the other kinds of local special plants to make more amount of products to increase the local farmers' income. By the end of 2016, the project supposes to make more than 2,000 Yuan per householders per year of increasing income.

### Local Economic Support Policy

Micro-finance is the good way to help the poor farmer to find the new way to earn money to increase their income. The local government makes a good connection to the Rural Credit Cooperatives (RCC) to ask the RCC give the loan to the farmer in order to buy some fertilizer, or to make small business.

The local RCC and local village leader will be organized as a group to judge the farmers who want to apply the micro-finance, they will judge applicants by three level (A, B, C). A is the highest level, which will give the farmer 100,000Yuan loan, level B will give the farmer 50,000-100,000 Yuan loan, level C will give the farmer less than 50,000 Yuan loan. The applicant needs to pay the loan back within 3 years. Normally the interests will be around 7.02 % of the total loan amount, since Fugong County is the poorest county in Yunnan province, the local RCC give the poor farmer a huge discount on interests, the local civil affairs office will pay 5 % of the interests for the poor applicant. For the one who want to

apply less than 100,000 Yuan loan, they do not need any guarantee for applying the loan.

In order to make a better organize of the micro-finance, the local RCC separate the applicant into two kinds:

1) Individual applicant, for the local individual applicant who want to apply the micro-finance, need to belongs to 'agriculture', should be judged by both local RCC and local village leader, the max of the loan is 100,000 Yuan, max duration is 3 year, the yearly interests fee is around 7.02 % of the total loan amount. The local civil affairs office will pay 5 % of the interests fee for the applicant.

2) Group applicant, with the development of the local economic, more and more group applicants wish to apply the loan to develop their farm and their small business. The group applicant should be at least 3 householders, all of them need to belong to 'agriculture sector', all of them do not need any goods to be guaranteed for the loan, but all of them need to be judged by both local RCC and local village leaders. The max of the loan is 200,000 Yuan, max duration is 1 year, the yearly interest fee will be the same as the individual applicant's.

Since the local government's 'Four One Million' project has been operated for almost 3 years, more and more farmers need the micro-finance to start their own business, the loan could be an important role in the future economic development.

## Local Social Policy

In order to increase local poor people's income, local government also set up a foundation to set the seminar to train the local people who want to work outside. Until the end of 2012, over 50,716 local farmers get the basic training, and most of them get the money support from the local

government. The seminar teaches them the basic working skills in the factory. Now working outside becomes the new way to increase the income, from 2004 to 2012, more than 43,255 of the local people find the new job, 1,962 of them works abroad, 19,404 of them works outside of Yunnan province. 9,229 of them works outside of Fugong County, 12,660 of them work in the Fugong county. The totally income is more than 205.26 million Yuan, average income is 4,745.34 Yuan/year. Some of them transfer the money back and their families could use this money improve their basic living condition, even they could also use this money to make small business.

### Policy Recommendations for Poverty Reduction

Since the local industry economic has just started, there are more chance and opportunity for them to catch, the all the economic will rely on the local labor, so in the future when the local government make new policy or project, they need to hear from the local farmers' idea.

In the book of 'Production of Space', Henri Lefebvre indicated the social space is the production of social, also the reproduction of social relations of production. Production of space includes the produce and reproduce of biological, physical labor work and social relations. Under the understanding, he gives the triples relations of reproduction of space, namely spatial practice (perceived space), representation of space (conceived space) and representational space (lived space)(Lefebvre, 1991). That is to say, the social space contains the human activities and human ideals, it could be interact among each others.

For the poverty reduction, local people's daily route indicated their daily activities mainly focus on the agriculture sector, gain the daily use, etc. What their idea and their way of life should be considered into the policymaking. If the future policy is go against the local people's wills,

that will be less productive in the poverty reduction.

During the field research, author interviewed 33 householders, 113 local farmers to ask them what they want, what they expected in the future. Most of them want a local factory, so they can find a job there, and they do not need to plant trees and do not need too tired. According to the in-depth interview that author ask the local people, we may have a clear view of what they want, and 33 householders, 113 local farmers, conclude the following quote. The author makes the common need as below to show what the respondents really need.

'... ...for us now we are not so rich, but we want to make the life as the urban people, the church is ... ... and .... .... now our government set a lot of projects for us to increase our income to let us have a good life, this is good, we all feel happy with it. If we could have our own industry and we do not need to go outside to work and earn money, so of our friends who work outside could earn a lot of money but it's too far away from our county, if we could have our own industry we do not need to go outside to work, and since we are operating the 'Four One Million' project, we can use the Chinese traditional medicine to make the factory and export to urban area to earn money.....'

'... ... you may see from our daily life, our agriculture products are so limited, if we meet the bad season, we have nothing to eat .... ... If the local government could supply us some high technology seeds to plant will be better, '  
'my son went outside to earn money, he could get more than 2,000 Yuan per month salary, more than the net income of my whole year, but outside is dangerous, if we could have some local

factory will be better, we could plant some economic fruit to sell and make it industrialized will be good, my son and the other young sons could stay in our county.... .... ’

‘.... ...for me, I think the local government should make the road more wider, we have a proverb in our ethnic that is the wider road will lead you to be rich. Since we only have one road, that is the limitation of the economic development, we must make the road wider so that the factory will likely to come to our county.... .... ’

From author’s field research, 2011

The policy recommendations concluded form the previous interview is,

1. Enhancing the transportation construction, ensure the road is clear for carriage.
2. Invite investment in business, local government offer ‘free-tax’ ‘free-rental’, etc. related policy for attract the investment from outside.
3. Training the local farmer for the agriculture planting, offer the education support for improving the basic knowledge of the cash crops.
4. Support the local SMEs, offer the special loan to stimulate the development of SMEs.

Poverty reduction is a long term work, we cannot achieve the goal in one day, the local government’s policy has been worked for a few years, the local farmers are the owner of this land, their suggestion and idea should be consider in the future policy making.

## Conclusion

The Minimum Living Guarantee Scheme (DB) as a national poverty policy has been operated in Fugong County for almost six years, the review of the DB program indicated the achievement of DB programs, which makes the absolute poverty number decreased, and improved the local farmers basic living standard.

Since Fugong County is the poorest county in Yunnan province, the agriculture means everything for the local farmers, the poverty reduction needs a strong policy to support, local government based on the current poverty problem, also made several policy and projects trying to increase the local farmers income, despite the change of the political and the other policies, the local farmers' income and basic living standard has been increased and also strengthened.

As the 'production of space' theory indicated, the human activities and social space could be interacted, for the better development in the future, the policy maker should take local farmers' idea and suggestion into consideration, only in this way, the poverty reduction could be achieved.

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