



REDUCING POVERTY
SUSTAINING GROWTH



What works, what doesn't, and why

a global exchange for scaling up success

Scaling Up Private Sector Models for Poverty Reduction

A Report on the Field Visit to Sichuan and Zhejiang Provinces, China



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The Global Learning Process on Scaling Up for Poverty Reduction

Scaling Up

**Private Sector Models for
Poverty Reduction**

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ON THE COVER: (clockwise from left) Cows at the Hong Xing farm in Sichuan Province; packaged food runs down a conveyer belt at Zhejiang Da Hoda Food Company in Wenzhou; and a worker assembles electrical switches at a Chint factory in Wenzhou. Photos by Desmond Dodd.

Contents

Preface	iv
Acknowledgements	v
Executive Summary	vi
1 The Role of the Private Sector in Poverty Reduction	1
2 China's Private Sector Experience	2
3 Generating Jobs and Incomes	4
4 Creating a Strong Investment Climate	7
5 Raising Standards and Enhancing Managerial Capacity	11
6 Scaling up: Lessons from China's Private Sector Experience	14
Appendix 1: Field Visit Program Agenda	16
Appendix 2: China Private Sector Field Visit	17

Preface

by Assaad Jabre, Vice-President, International Finance Corporation

Private sector development has an indisputable role to play in poverty alleviation across the globe. Although 50 years of development assistance have helped millions of people overcome poverty, disease, and fear, 2.8 billion people—more than half the people in developing countries—still live on less than \$2 a day. Of these, 1.2 billion earn less than \$1 a day. They are hungry, isolated, and vulnerable to weather, war, and sudden fluctuations in markets. Between the developed and developing worlds, even as levels of absolute poverty fall, disparities of income, health, and education widen.

Some regions with large concentrations of extremely poor people have made little progress in reducing poverty over the past two decades. In these regions, any hope of meeting the Millennium Development Goals will depend critically on accelerating results and reproducing them widely across the spectrum. At the same time, some countries and some areas within countries have been successful. But gaps in knowledge, capacity, and policies have kept these successes “landlocked,” meaning knowledge and experience that could make a positive difference in millions of people’s lives are not being widely shared or utilized.

Large-scale poverty reduction must be based primarily on harnessing the energy and creativity of poor people, and on allowing the private sector to achieve its full potential. The process involves leadership commitment, institutional innovation, learning, and external catalysts. Looking at actual projects and how they have contributed to development provides lessons that can be applied on larger scale.

Private companies can impact the process of development through their core business activities—in the workplace, the marketplace and along the supply chain; their social investment and philanthropy activities; and their engagement in public policy dialogue and advocacy activities.

In an effort to better understand and exhibit the role of the private sector in China, IFC, the World Bank, and the China Project Development Facility in cooperation with the Ministry of Finance and local and provincial governments reviewed some of the success stories in Sichuan and Zhejiang province. It is widely known that from very humble beginnings in early 1980s, China’s private sector has emerged as the most dynamic component of the economy. While state firms and collectives have slowed, the output of private domestic firms increased on average over 20 percent annually. In recent years, new employment in the private sector has exceeded job creation for state, collective, and township and village enterprises—combined.

On April 12-16, 2004, IFC, Chinese officials, and China-based international representatives considered the lessons that could be drawn from China’s experience in helping reduce poverty elsewhere. This publication highlights what participants saw on their field visits to private sector companies and other enterprises supporting private sector development. We hope that other regions in China and other countries can draw on this experience to help expand development and economic opportunity for the most vulnerable throughout the world.

Acknowledgements

by Javed Hamid, Director, East Asia and the Pacific, International Finance Corporation

The second field visit that is part of the Scaling Up Poverty Reduction conference was organized by the Government of China and the International Finance Corporation. We are pleased to have had the opportunity to work with MOF to highlight the important role private businesses play in development and poverty reduction.

Special thanks are in order to China's Ministry of Finance and the State Council Leading Group on Poverty Reduction for their tremendous support. The success of this field visit also owes to the extraordinary efforts from provincial and local governments in Sichuan and Zhejiang. I am grateful to IFC's staff from the Beijing office and the China Project Development Facility office in Chengdu for their hard work in making this effort a success.

The field visit program was opened in Chengdu by Vice Governor Wenguang Chen of Sichuan province; Mr. Michael Klein, vice president for private sector development at the World Bank and IFC chief economist; and Mr. Ziqian Liang, deputy director general at the International Department of the Ministry of Finance. It was concluded in Wenzhou by Mr. Jiang Xiaohua, director of the Leading Group on Poverty Reduction, and Ms. Karin Finkelston, IFC's Senior Manager for China and Mongolia. This high level support set the right tone for the event. Along with active participation of senior local officials throughout the week, participants received important policy perspective to complement meetings with managers, entrepreneurs, workers, and farmers. This support and cooperation was of great benefit to this program.

Executive Summary

Second Field Visit in China

The Role of the Private Sector in Poverty Reduction

The Shanghai conference on Scaling Up Poverty Reduction is being sponsored by the World Bank Group and hosted by the Chinese government in May 2004. As part of the learning program related to this conference, the International Finance Corporation in cooperation with the Chinese Ministry of Finance, sponsored a field visit program to Sichuan and Zhejiang provinces from April 12-16, 2004. The program focused on private sector models for poverty reduction.

Feedback from participants produced the following conclusions:

- Development is change; openness to change was an important attitude demonstrated by successful companies and local governments on these visits (*see chapters 2, 3, and 6*).
- The importance of learning and experimentation by governments and private companies cannot be underestimated. Participants saw institutions and approaches that proved enduring as well as examples of how successful approaches were abandoned after outliving their usefulness (*see chapter 4*).
- Scaling up the impact of private sector development is helped by competition among companies, which can use better practices to remain ahead in their industries (*see chapter 5*). It is also supported by competition among local governments that compete to attract investment to improve standards of living (*see chapter 6*).
- Many of China's cases reviewed provided inspiration about the power of the private sector to contribute to poverty alleviation. Part of the success of the private sector owes to China's ability to attract foreign investment, labor mobility, policy commitment to improving the business environment, and its large market. Not all of China's advantages are unique to its economy, but other countries must consider those that are specific to China or a local area before deriving lessons from China's experience (*see chapter 6*).

The field visit program provided a rich learning experience for participants from developing and industrialized countries. They exchanged ideas and explored ways of scaling up private sector models for poverty reduction around the world.

Over 40 participants from 17 countries attended the field visit program, including senior officials from donor agencies and representatives from Australia, Bangladesh, Canada, India, Japan, Mexico, Mongolia, Pakistan, the Philippines, Russia, South Africa, Tanzania, Turkey, Uganda, the United Kingdom, and Vietnam. Officials from the Chinese government, the International Labor Organization, the World Bank, and IFC also participated in this program. These participants were able to:

- Witness the large-scale poverty reduction impact of private sector development in China and the ways private companies can contribute to poverty reduction (*see chapters 2 and 3*).
- Meet entrepreneurs motivated not only by profit but also by a deep sense of social responsibility and a desire to contribute to the broader development of the communities where they operate (*see chapter 2*).
- Observe the positive results of public-private sector efforts and strong political leadership to create a favorable business environment (*see chapter 4*).

The first part of the field visit consisted of a two-day visit to Sichuan province, including roundtable discussions with private entrepreneurs, visits to dairy farms and plants in Meishan county, and trips to a privatized chemical plant and a private paper company in Chengdu. The second part began in Hangzhou, Zhejiang province, and followed with visits to other parts of the province including farmers training programs in Quzhou, and private companies in Wenzhou.

The program exposed participants to the ways in which the private sector can contribute to scaling up poverty reduction. It provided a learning opportunity for participants, through visits to successful sites in different regions, interaction with other team members, interview beneficiaries, and carry out dialogue with experts, stakeholders, and other key actors.

About the Conference

SCALING UP POVERTY REDUCTION

The Shanghai Conference on Scaling Up Poverty Reduction in May 2004 is the culmination of a nine-month learning process. As part of this process, the second field visit program in China took place from April 12-16 2004, bringing participants to Sichuan and Zhejiang provinces. This publication is the official report from that program.

This report describes the experience and offers some lessons. The challenge in doing so is complicated because the Shanghai conference seeks answers to difficult problems: how to take successful poverty alleviation programs and scale them up; how to enable poor people to be the central force for change and not an object of charity; how to manage programs over time for results that make a difference.

The need for such a learning experience stems from the challenge of development and poverty reduction. How have countries and communities scaled up successful approaches that help improve people's lives? And what were the factors that enabled achievement of these results? The Shanghai Conference aims to uncover the economic, social, and governance components that have enabled countries to achieve poverty-reducing development results on a large scale; to share these lessons across regions and countries; and to disseminate them widely through various media and other channels to policymakers, business people, and researchers.

To help answer these questions, a global learning process has been used, employing a variety of methods. The process has involved the following elements:

- more than 70 cases representing most economic and social sectors
- site visits to 11 successful project sites in Bangladesh, Brazil, China (three sites), India (two sites), Indonesia, Turkey, Uganda, and Yemen to add a human dimension through interviews and dialogues with experts and other stakeholders
- videoconferences and e-mail dialogues to help broaden the conversation and give access to thousands of practitioners.

1 *The Role of the Private Sector in Poverty Reduction*

Across the globe, the private sector has made a critical contribution to reducing extreme poverty. But the urgent need to support continued poverty alleviation remains indisputable. How does private enterprise contribute successfully to development and poverty alleviation?

Private companies can help speed economic development through their core business activities in the workplace, the marketplace, and along the supply chain. They can also make contributions to society through their social investment and philanthropic activities, and their engagement in public policy dialogue and advocacy.

The ultimate objects of human development—freedom from hunger, long life, health, greater choice, and more fulfillment—will only be realized through upward mobility. In practice, this means more and better jobs for poor people and their children. Private firms have tremendous power to generate such employment opportunities across a variety of economic systems. They can create value for society in a variety of ways: by producing safe and affordable products and services; by generating income, consumption and investment through payment of local wages, taxes, dividends, and royalties; by making timely payment to local suppliers; and by earning foreign exchange.

In developing countries, private firms are also a major source of tax revenue that supports social services and other publicly backed assistance to the poor. Without a foundation of private economic activities, there would be no sustainable and reliable base for such assistance—especially no social safety nets covering health and education and no agricultural research. Enterprises of every size generate the taxes that finance the bulk of government expenditure critical to any attack on poverty.

Education and development of human capital are also powerful weapons against poverty. Private companies can develop human potential by investing in training, skills development, health and safety in the workplace and along the supply chain.

Through the power of peer pressure, competition, and changing domestic and international rules, private companies can spread responsible international business standards and practices in environmental protection, health and safety management, human rights, ethics, quality, and other areas.

Economic development depends critically on the speed at which poorer societies can adapt and exploit knowledge that already exists in the developed world. Successful developing countries are open to foreign ideas; they nurture “receptors” capable of absorbing knowledge. Private enterprises act as knowledge receptors, seeking out information that has practical uses locally and creating models that can be emulated by other firms. The role of private firms in absorbing knowledge and putting it to use is especially important in the processes of technology generation and diffusion. Private businesses also bring innovations to the marketplace in the form of products, services, and processes, thus broadening consumers’ choices.

Dynamic private enterprises tap into people’s initiative, ingenuity, and self-reliance. When people can participate in an economy by creating or joining an enterprise, they gain voice. Enterprises also offer opportunity and some security to the formerly unemployed or the underemployed.

For the private sector to play a constructive role in development, an enabling environment is crucial, and responsibility for this lies chiefly with government. In particular, there is a need for good governance, rule of law, human rights, ongoing efforts to tackle conflict and corruption, and the implementation of international norms and standards.

2 *China's Private Sector Experience*

China has made the single largest contribution to global poverty reduction in the last two decades. Since the beginning of reforms in 1978, more than 250 million people have been lifted from poverty. The time and spatial dimensions of poverty reduction closely mirror the development of China's private sector. In 1979, the non-state economy contributed 1 percent of GDP. Today, it accounts for more than two-thirds of the economy. The non-state sector has been the fastest growing segment of the economy, growing at 20 percent per annum for the last 20 years, more than twice the economy's average. Since 1992, the private sector has created 6 million jobs a year, three-quarters of all jobs created. Overall development, poverty reduction, and private sector development have been unevenly distributed, concentrated mostly in coastal and urban areas. At the annual meeting of the Tenth National People's Congress in March 2004, China's constitution was amended to protect all kinds of private property obtained legally, putting private assets on an equal footing with public property.

Alternative Perspectives on Development

Sichuan and Zhejiang provinces offer different perspectives on China's economic miracle over the past two decades. While Zhejiang has blazed the trail for private sector development in China, Sichuan today is working to catch up.

Sichuan Province

Situated on the upper reaches of the Yangtze River in southwest China, Sichuan Province has a population of nearly 87 million. Its annual gross domestic product is \$54 billion, and its per capita income, at \$615 a year, is lower than the national average. Sichuan is one of China's poorest provinces.

Every year, a large number of Sichuanese workers move to coastal areas seeking jobs. An estimated 12.6 million Sichuanese work outside the province and send about RMB 24 billion annually back home. The province is well known for exporting pork, which accounts for one-third of China's interprovincial trade in this sector. Several large private sector groups in Sichuan started in the animal feed businesses.

Sichuan's private sector development lags behind coastal regions. About 99 percent of its nonstate enterprises are small and medium in size. Since the second quarter of 2003, the provincial government has taken new initiatives to encourage the creation and expansion of private business. A series of measures has been adopted to streamline regulations and procedures in an effort to raise the private sector's contribution to gross domestic product from the current 30–40 percent to above 50 percent by 2007.

There are significant challenges ahead, perhaps the most important being small business access to finance. Weak creditor rights, a lack of credit reporting, interest rate controls, and state ownership of financial institutions all limit private access to finance. In an administrative cost survey of 601 enterprises conducted by IFC's China Project Development Facility in 2002, 62 percent of SMEs ranked finance as the top constraint on their growth. Formal financial institutions contribute less than 10 percent of SMEs' working capital and investment needs.

Other notable obstacles include burdensome government regulations and underdeveloped infrastructure. As a result, foreign investment inflows into Sichuan have been weak compared with coastal areas. In 2003, the province recorded foreign direct investment (FDI) of about \$580 million, or about 1 percent of China's total. The recent decision by Intel to locate a \$375 million chip testing and packaging plant in Chengdu was a milestone for the province.

Zhejiang Province

Zhejiang Province is located on China's eastern coast, south of the Yangtze River Delta. Following the introduction of reform and policies opening China to trade and investment, Zhejiang has achieved notable economic, scientific, technological, and social accomplishments. From 1979 to 1998, the annual growth rate of the province's gross domestic product averaged 13.5 percent, 3.8 percent higher than the national average. In 2002 provincial growth exceeded 12 percent and in 2003 reached 14 percent, well above the national average.

The economic structure that has evolved in the province is one in which private business dominates. The self-employed, private, and other non-public ownership sectors of the economy have grown rapidly. Most state-owned SMEs, as well as urban collective and township enterprises, have reformed. The scale of mergers among enterprises has risen. Urban employment has reached 73 percent. The process of market liberalization is being spearheaded by the coastal cities of Hangzhou, Ningbo and Wenzhou, as well as national and provincial development zones. By 2002, contracted FDI amounted to \$35.4 billion. The disposable income of urban residents and the pure income of farmers are ranked first, both among provinces and municipalities across China.

Delivering More than Profits

The main direct contribution private companies to poverty alleviation is providing employment and other economic opportunities. New Hope Dairy exhibited that private sector innovation in working together with rural farmers could help improve the quality of its raw materials while increasing the farmers income. Private businesses visited on this trip also exhibited the role they can play through developing good practices, a sense of responsibility toward workers, and in building ties with the community.

Shiyun Paper profitably produces environmentally friendly paper cups and bowls and is making regular tax payments based on accounts audited by an independent CPA firm. New Hope Dairy is providing free milk to schools and kindergartens, generating goodwill and increasing awareness about the health and nutritional benefits of milk, thus enhancing future milk consumption. Chint in Wenzhou has donated RMB 60 million to the public welfare and called on 156 enterprises to form the first Aid-the-Poor Society in China, raising RMB 300 million for the cause. Ao Kang in Wenzhou is a producer of leather shoes, employing more than 5,000 people. Since 1993, the enterprise has contributed about RMB 23 million to education, developing poor areas, and other causes.

All enterprises visited emphasized workers' welfare. Da Haoda focused on improving the working environment. It has invested RMB 7 million to build better facilities Da Haoda personnel at the headquarters of the company with capacity for 780 employees. The company has purchased recreational and sports equipment to enrich the leisure time of the staff, improving their living conditions and increasing cohesion within the enterprise.

Chint of Wenzhou spends RMB 18 million per year to buy all staff insurance, including insurance against injury suffered on the job. The group has set up Chint College in collaboration with Shanghai Technological and Polytechnic College to enhance the quality of the staff. It has also dedicated a day to listening to concerns and suggestions from staff.

3 *Generating Jobs and Incomes*

Development and poverty reduction are closely associated with the creation of high-quality jobs. In China, growth and investment need to create jobs for laid-off workers in bankrupt state owned enterprises and for the enormous reservoir of unemployed or underemployed people in rural areas. Transforming China's state sector has been and will continue to be painful. About 26 million SOE workers have been laid off since 1998, and according to government statistics, nine million of those workers have not found new jobs.

Private companies have been playing a key role in facilitating the process of social adjustment by taking over and restructuring failing SOEs; by creating jobs in urban centers and employing rural migrants and creating better paying jobs in rural areas.

Chengdu Huarong, a company visited by the delegation on the second day of the trip, illustrates the case of private companies acquiring and restructuring failed state-owned enterprises. The company was formed in 2000 when New Hope Group, one of the largest private groups in China, acquired a former state company. Chengdu Huarong was supported by investment from IFC. After three years it more than tripled sales from less than \$10 million to more than \$30 million. It has been able to maintain employment of about 500 regular former SOE employees and give part-time employment to about 300 local farmers. Workers' salaries are about 30 percent higher than before the acquisition, and are growing at about 10 percent per year along with the company's profitability.

The delegation met managers of several companies that are contributing directly and indirectly to job creation and income generation in rural areas. Sichuan AS Food is a Chengdu-based instant vermicelli and seasoning producer that employs 1,100 staff. Through the annual use of 100,000 tons of sweet potatoes it provides income and some technical assistance to about 20,000 farmers. Sichuan Sihai Group focuses on slaughtering pigs and basic pork processing. It buys from approximately 300 small-scale pig breeders and has expanded rapidly in recent years by purchasing bankrupt state-owned slaughterhouses in Sichuan.

Shiyun Paper creates jobs for rural migrants in urban areas. The private company is a market leader in the paper cup business in Sichuan. Located in Chengdu. The company was started in 2001 by Mao Jiatai and his wife, Zhou Jifen, and employs 170 workers mostly from rural areas. Twenty percent are women.

Zhejiang Da Haoda Food Company was visited by the delegation on the fourth day of the trip. The number-two specialized manufacturer of roasted seeds and nuts in China, it has created more than 2,000 jobs for laid-off workers and farmers including over 1,500 unemployed people from Hunan, Hubei, Sichuan, Jiangxi, and Inner Mongolia.

Chint, a company in Wenzhou that produces electrical appliances and parts, illustrates the unlimited potential of private sector growth. From modest beginnings in 1984, it has grown to comprise six specialized companies, 50 holding companies, 800 specialized cooperative factories, 2,000 national distribution companies and agents, five subsidiaries, and 30 overseas sales representatives. Its products are sold in 70 countries. The Chint trademark was nominated as a National Well-known Trademark by the China State Administration of Industry and Commerce. Chint Group Corporation is the largest player in the country's low-voltage electrical appliance industry, where it employs 14,500 workers, most of them migrants from poor interior provinces. At about \$200 per month, it pays salaries higher than the national average.

NEW HOPE DAIRY:

Expanding Employment Opportunities in Rural Areas

China represents a huge market for dairy products with low consumption levels and rising demand. Average annual consumption of dairy products has almost doubled over the past five years to about 10 kilograms per capita, but is still only 10 percent of the global average.

The Chinese Government places great emphasis on the development of the dairy industry, giving it priority status through various national policies. Development of this industry is perceived by the central government to be a win-win situation because it increases the income of dairy farmers and facilitates development of agriculture. That encourages the social and economic stability of rural areas. It also promotes the growth of the processing industry, which adds to tax revenue.

At the same time, the Chinese dairy industry is confronted with a number of challenges including increased international competition following WTO accession; quality of dairy cattle and raw milk; weak disease prevention systems and a low proportion of animals being milked by machines; and poor linkages between dairy cattle breeding and milk processing. In addition, the increase in manufacturing capacity, unless supported by corresponding increases in the availability of raw milk, may result in sustained periods of low use of this new capacity.

Nationwide market studies indicate that enhancing the supply chain efficiency represents the next opportunity for top operators to differentiate themselves and find comparative advantages. In 2002, China produced about 12 million tons of milk. Average yield per cow is about 2,000 kilograms, indicating relatively low productivity. Poor farm management and animal husbandry, along with poor feeding regimes, account for the low quality and productivity.

A Novel Approach to Dairy Farming New Hope Dairy Group is one of the largest private sector companies in the Chinese dairy industry. Attracted by the industry's growth prospects, New Hope moved into the sector by acquiring Sichuan Yang Ping Dairy and 11 other state-owned companies. Through these acquisitions, the company has established a leadership position in its home market of Sichuan, as well as a prominent position nationwide.

Yang Ping Dairy currently has three sources for the supply of raw milk. The first is approximately 5,000 household producers who travel up to 40 km to deliver the minimally refrigerated raw product to one of four collection stations. The second are two large farms with about 1,000 cows. The third are four collectivized, mechanized milking facilities, such as Hong Xing Collective farm in Hong Xing village, Liu Jiang Township, Hong Ya County, approximately 60 kilometers southwest of the Yang Ping Dairy Processing Company.

The collective farm is a relatively new concept in Sichuan. The strategy of the New Hope Dairy is to encourage farmers to move towards a collective farm model in which all the cows are milked by machine, rather than the current practice of hand milking. This increases output and improves its consistency.

The Hong Xing farm was initiated by the village director with support from township and county governments who approached a local builder to construct the dairy facility.

The collective farm is managed by a committee composed of village members and managed by the village director. After producers have paid the investor RMB 1,200 for stall space, the stall is then owned by the individual. Within this space the owner assumes control over the management of his cows within the collective farm organization. Farmers continue to live at their homes and only travel to the dairy facility when necessary. Forage is gathered daily from their plots of land.

At the Hong Xing Collective Farm, the cows are milked using a pipeline milking machine system. The milking equipment and bulk tanks at the collective farm are owned by the New Hope Dairy Cattle Company. A service contract with the equipment manufacturer ensures proper operation of the milking units and refrigeration. Members of a collective committee, elected by the villagers, supervise the milking and records the amount of milk each cow produces. This information is used to ensure each owner is paid according to their cow's milk production. After cooling, milk is collected daily by Yang Ping Dairy, at the dairy's expense, from refrigerated milk tank. It is transported in an insulated tanker truck. Farmers are paid based on individual production records.

Results indicate that the collective farm model enhances productivity and milk quality. The farmers in the collective farm have received training in farm management, animal husbandry, and best feed practices. The milking by machines, and the refrigerated storage of the milk eliminate contamination and waste. Practically no milk is rejected by the milk collection centers. Because of better quality, the milk from the collective farm receives a price 10 cents higher than milk from individual households.

In 2002, the annual per capita income of rural households in Sichuan Province was about RMB 2,900. No counties have a per capita income in excess of RMB 4,000, and 33 counties have a per capita of less than RMB 1,000. The analysis of dairy farms at the Hong Xing Collective Farm reveals a net income of RMB 3,200 per cow per year, demonstrating the potential of dairy farming to generate income in rural Sichuan. Each farmer owns two or three cows on average. With the incomes from milk supply over a two to three year period, farmers have been able to build new houses.

Challenges and Emerging Lessons The scaling up of the collective farm model has been successful in the eastern and northern parts of China, but has been somewhat slower in Sichuan's Meishan county and in the southwest. One of the reasons is that in these parts of China, farmers are dispersed on a hilly terrain, which makes it less economical for them to commute to the collective farms. New Hope Dairy is examining the incentive structure of the collective model to see how this problem can be overcome.

Working with the local community is critical. In the case of Hong Xing, the initiative was taken by village leaders who suggested an approach that was then popularized by a private company in conjunction with local authorities.

One important lesson from New Hope's experience with building supply chains is the importance of working with stakeholders. New Hope Dairy is working with a large number of them to promote the concept of collective farms, including the central government, the Dairy Association of China, provincial animal husbandry bureaus, provincial science and technology departments, and municipal and county governments. This approach allows for holistic solutions to the problems of milk supply chains.

4 *Creating a Strong Investment Climate*

Although macroeconomic policies are important in determining the success of private businesses, the quality of government regulation of business and the institutions that enforce this regulation are a major determinant of prosperity. During the field visits to Sichuan and Zhejiang, the participants were able to observe different approaches to regulation, enforcement, and attitudes toward businesses. These differences exhibited a strong impact on the performance of the private sector in different provinces, and even cities.

Zhejiang Province

Wenzhou

Wenzhou is the cradle of Chinese private and stock cooperative companies, and it exemplifies the importance of innovation and a favorable business environment. Since the launch of China's reforms, Wenzhou has remained committed to market-oriented reforms, and has taken the lead in developing a multiownership economy.

At the end of 1970s, Wenzhou's poverty level was above China's average. The Wenzhou Municipal Government, under heavy pressure to create employment, has adopted a hands-off policy that allows farmers to engage in their own business and develop household industries. This policy was so successful it is now referred to as the Wenzhou Model.

The government also actively encouraged innovation. As early as the mid-1950s, Wenzhou began to experiment with the contracting of production quotas to individual households. Early on, it created the "affiliated management" system, effectively solving the market access problem for individual and private business owners who could not be granted legal operation rights due to the unrecognized status of private enterprises. This paved the way for the rapid development of household enterprises. In 1987, the Wenzhou municipal government published Provisional Regulations on the Management of the Affiliated Individual Businesses, stipulating that enterprises engaged in household industries, handicraft industries, and specialty purchase and sale businesses could be attached to locally registered enterprises. When the legal status of private enterprises was formally recognized in the 1990s, many attached enterprises registered independently.

Fully respecting the right of enterprises to manage their own affairs, the Wenzhou city government has encouraged enterprises to innovate in the areas of corporate systems, management, marketing, and technology. Since the adoption of the reform and opening policy, the prevailing organizational structure of enterprises in Wenzhou has evolved from household business to stock cooperative system to incorporated enterprise. In recent years, enterprises in Wenzhou have migrated towards a business model based on the original equipment manufacturing method, where production and processing business is outsourced to other enterprises for expanded production capacity. Some have franchised their business to establish a stronger sales network; others have engaged in project development by entering into strategic alliances with business partners. Some have scrapped their in-house market research departments and entrusted professional agents with market investigation; others have improved R&D by absorbing the research capabilities of universities and institutions at home and abroad.

The main role of the Wenzhou Municipal Government has been to protect enterprises' interests and enhance service, rather than getting involved in operations and management. Wenzhou is one of the first Chinese cities to establish industrial associations. Reducing administrative examination and approval requirements and administrating according to the law have become key principles in the Wenzhou government's function: to serve enterprises better and stimulate enterprises' innovative capabilities.

Wenzhou was among the first Chinese cities to establish an integrated basic pension system. It leads the country in establishing private schools and private institutes for scientific and technological research, and has rapidly developed its medical care and social welfare systems.

Unlike other parts of the country where conditions favored state owned enterprises, private companies were put on equal footing in Wenzhou. As a result, they were able to play a major role in Wenzhou's economic and social development. The city has 220,000 individually owned businesses and more than 130,000 private companies, representing 99 percent of all industrial enterprises. Private companies produce 96 percent of industrial output; contribute taxes equivalent to about 70 percent of the total fiscal revenue; account for 95 percent of exports; and employ nearly 80 percent of city employees. Wenzhou developed a cluster economy: it created big businesses by accumulating small ones; a big market for small commodities; big equipment with little accessories; big industry by combining small enterprises; and big projects with a small amount of capital.

In Wenzhou's Xingchan village, the relationship between the government and the private sector is evolving and has undergone dramatic changes in the course of reforms. This became obvious during the delegation's visit to Xingchan village in Yongjia County. The village is located on a hilly area at an elevation of 400 meters. Its population consists of 311 families. At the beginning of the 1980s, per capita income in Xingchan village was only RMB 200. Since 1990, the village seized development opportunities in rearing birds and cattle and making morning tea. Tea growing has become the main income source for the village, which has 171 tea-growing families, a tea growing area of 1700 mu, a production value of over RMB 2 million annually and per capita income of more than RMB 10,000. When delegation members asked villagers why this development took place in the 1990s and not before, villagers replied that they did not have the freedom to decide what to grow, and when. An accompanying government official commented, "It is difficult for us at this stage to imagine how the government could have dictated to farmers what to grow and when to grow it without knowledge of local conditions."

Quzhou

The delegation visited a number of counties and municipalities, where local governments were embracing change for the benefit of economic development. Quzhou, a poor city in Zhejiang, has developed an innovative approach for investing in farmers' education and easing migration to cities. The Quzhou model has the following key features:

- The government pays farmers' tuition during first round of training. Last year, the Municipality invested RMB 12 million in training farmers.
- Farmers' free choice is respected. Farmers are given educational vouchers for various training bodies, which farmers are allowed to choose.
- Labor market trends are taken into account according to market demand. Training bodies and intermediate labor units are encouraged to strengthen their ties with enterprises to get a better sense of labor demand. The municipal government has been hosting employment fairs, and plans to set up a labor export association in urban centers to win more work orders. Given the still limited mobility of labor from rural to urban centers, the municipal government has signed labor-export agreements for training and long-term cooperation with more developed regions as Hangzhou, Ningbo, Wenzhou, and Jiaxing.

- The protection of migrant workers' rights is enhanced by issuing farmers "green cards" containing the telephone numbers of legal agents, training bodies, and township governments. Card-holders can dial these numbers for a variety of services. The municipal government's agreements with the local governments of labor-importing cities include provisions prohibiting the imposition of illegal fees on the holders of these cards. To better protect migrant workers' rights, the municipal government maintains close contacts with urban trade unions, and has set up the Quzhou Rights Protection Center for migrant workers. The government also encourages migrant workers to set up labor force export associations and designate their leaders. The head of the association can contact the department concerned for aid and service.

The training bodies are mainly vocational schools at various levels, but private schools, labor service intermediaries, and trade associations are also encouraged to participate. At the same time, local and external enterprises are encouraged to join. Various government departments at city, county, and township levels coordinate with regard to farmers' training. By the end of February 2004, Quzhou had trained 135,000 farmers in 14 occupations such as housekeeping management, tailoring, computer skills, cooking, and electrical appliance repair. About 67,000 farmers have found jobs in urban centers.

Trained farmers generally earn 30 percent more than their untrained counterparts. In 2003 the per capita net income of Quzhou farmers hit RMB 3,980, up 11 percent over the previous year.

Sichuan Province

Sichuan presents a somewhat different story. Private sector development in the province lags behind coastal areas. Since about the second quarter of 2003, the provincial government has taken new initiatives to encourage the creation and expansion of private business. A series of measures was adopted to streamline regulations and procedures within the existing legal framework. Three systems are being built to support the development of private enterprises: credit guarantee (see box), access to credit (credit reporting), and business support services. The objective is to raise the private sector's contribution to GDP from current levels of between 30 and 40 percent to above 50 percent by 2007.

Chengdu Credit Guarantee Company

Chengdu Small Enterprise Credit Guarantee Company Limited (Chengdu CGC) was established as a shareholding company in 2001 as part of the China SOE Enterprise Restructuring and Enterprise Development Project, sometimes referred to as SOERED. The establishment of the company was implemented through the joint sponsorship of the UK Government's Department for International Development and the Chengdu Municipal Government. The purpose and goals of the SOERED project were to replicate effective approaches to socially responsible SOE restructuring and enterprise development that promoted economic growth and reduced poverty in China.

China's government looks to SMEs to contribute strongly to poverty reduction, poverty avoidance, and disparity reduction, particularly in less developed regions. It sees SMEs as a strategically important new source of growth for the national economy but it has also identified access to finance as a key barrier to SME development.

As part of its expanding range of development and support mechanisms for the SME sector, the government of China has encouraged the use of credit guarantee funds to increase access to finance for SMEs. Accordingly, the establishment and development of sustainable CGFs has been one of SOERED's main goals.

The government's mandate was to use best practice to facilitate lending by partner banks and other credit providers to the SME sector in a way that could be replicated elsewhere. The long term objective was to encourage partner banks to lend directly to SMEs.

In this context, Chengdu CGC was established to assist SMEs in Chengdu Municipality with access to the formal financial sector through the provision of credit guarantees to selected partner banking institutions. One of Chengdu CGC's objectives is to assist creditworthy SMEs with access to finance, giving preference to those SMEs with a capacity to create employment opportunities in the trading, manufacturing and service industry sectors another is to operate to best practice standards with good risk management strategies in a manner that allows the company to more than cover its operating and risk management costs.

To date, Chengdu CGC has issued more than RMB 257 million worth of guarantees to help 200 small and medium enterprises obtain finance. During the first half of 2003, Chengdu CGC assumed the administration and management of a special fund established by the Chengdu Government to provide credit guarantees in support of startups established by laid off workers from state owned enterprises. Over 200 laid off workers have received loans under this special fund. In April 2004 the Swiss government joined the Chengdu Municipal Government in investing \$3 million in Chengdu CGC as a joint venture. The Chengdu CGC has proved an effective institution for supporting small business growth.

5 *Raising Standards and Enhancing Managerial Capacity*

The visit provided in Sichuan several opportunities to observe the role of external catalysts for change—for example, the role IFC played by investing in Chengdu Huarong Chemical when it was privatized. Through its equity investment, IFC encouraged the company to adopt best international practices in areas such as accounting, corporate governance, and environmental practices. To adopt these new practices, New Hope Group, the main investor, received broad guidelines from IFC, but developed detailed rules through its own management. New Hope committed itself to learning how to meet the new standards with fewer outside consultants than other investors. In addition to reducing New Hope’s compliance costs, this allowed the company to build internal capacity. In this way, New Hope internalized IFC’s due diligence process and applied it in the acquisition and restructuring of other SOEs in Sichuan and elsewhere.

IFC’s investment allowed it to appoint a director to Huarong’s board, leading to major changes in the firm’s corporate governance practices. According to management, the frequency and quality of board meetings have improved dramatically, and New Hope has transferred these corporate governance practices to many of its other enterprises. Management also feels better corporate governance has led directly to better business results. Increased investment in environmental protection technology, for example, has helped the company improve product quality and access export markets.

Another opportunity to observe the role and impact of external catalysts came during the delegation’s meeting with entrepreneurs receiving assistance from the China Project Development Facility, an SME development facility managed by IFC. CPDF has three business lines: facilitating access to finance; capacity building and sustainable development initiatives; and encouraging the business enabling environment.

CPDF’s Management Training Program assists local organizations in providing professional, standardized and practical courses to local private SMEs. The long-term goal of the MTP is to create a sustainable training product that can be transferred to full local ownership and operation. The program builds on the materials and brand developed by the Mekong Private Sector Development Facility, another IFC donor-funded operation. Both facilities use the Business Edge brand, an IFC-registered trademark for SME training products.

With the assistance of expert consultants, CPDF runs a comprehensive train-the-trainer program in Chengdu that transfers both advanced instructional skills and product knowledge to promising local trainers, who are then certified to deliver BE courses. The MTP currently has a network of five licensed training partners who directly organize and recruit participants for BE courses. These partners are Sichuan University, Southwest Communications University, Basis Educational Company, Better Training Company, and the Chengdu Chamber of Commerce. Additionally, trainers from Sichuan University have formed an informal training team, Knowledge in Action, which uses modified BE courses to conduct in-house training for SMEs in small cities and rural areas in Sichuan.

The MTP has had a strong influence on three distinct groups: partners, trainers, and client SMEs. Basis Educational and Better Training have increased course attendance and sales through participation in the program. Each company has also sent trainers to attend the train-the-trainer sessions to acquire CPDF certification. CPDF has also strengthened partners’ marketing capabilities by providing materials, design support, coaching, and large-scale promotional events.

Highlights of CPDF Activities

- Delivered financial advice or technical assistance in environmental management and corporate governance to 25 SMEs
- Partnered with eight financial institutions, three of which are in Mianyang and Leshan
- Raised \$6 million in new capital for a partner financial institution serving more than 400 SMEs
- Delivered 57 training events to more than 1,420 participants from financial institutions, consulting firms, government agencies and others in credit analysis, consulting, management, and other areas
- Trained 37 local trainers, who in turn trained 3,000 SME managers, under a specially designed management training program
- Implemented a consulting methodology for 30 consultants from 5 partner firms to build their capacity in providing consulting services
- Launched, in partnership with large firms, an SME supply chain program to help establish sustainable business partnerships and generate new markets for Sichuan SMEs
- Delivered an administrative cost survey of 601 businesses to identify and assist in addressing key constraints affecting them
- Completed a comparative study between Sichuan and Zhejiang to draw from the latter's successful experience in developing its private SME sector
- Launched assessment / benchmarking of investment environment conditions in 5 sectors in 8 Sichuan cities (with MIGA)
- Organized or presented 47 workshops and seminars on SME development issues, attracting more than 3,600 people

CPDF Helping Small Scale Entrepreneurs in Sichuan

China Project Development Facility is a multi-donor small and medium sized enterprise development facility managed by the International Finance Corporation, the private sector arm of the World Bank Group. This facility has been planned and implemented in close collaboration with the Chinese government to respond to three of the country's essential economic challenges: lagging development in the interior regions, the need for strong commercially oriented financial institutions, and support for SMEs that are struggling despite the sector's critical importance in absorbing workers from restructured state-owned enterprises.

The facility's core donors are Australia, Switzerland, the United Kingdom and IFC. CPDF also has a number of programs funded by Canada, Denmark, Israel, Italy, the Netherlands, Norway, and Sweden.

CPDF was established in the interior of China, with an initial focus on Sichuan and became fully operational in mid-2002. Operating from Chengdu, it draws on the experience of international and highly qualified Chinese staff and has access to the World Bank Group's specialists and international consultants. CPDF is a key component of the WBG's overall development strategy for China. It has three business lines:

ACCESS TO FINANCE: CPDF supports partner financial institutions through a combination of technical assistance in credit risk management and investment appraisal and training. It also prepares and supports SME finance initiatives, and provides direct assistance to Chinese SMEs to strengthen their operations and raise capital.

CAPACITY BUILDING AND SUSTAINABLE DEVELOPMENT INITIATIVES: CPDF strengthens local non-financial intermediaries through innovative 'franchising' and technical assistance projects, and designs and develops management education and training initiatives. It also supports supply chain linkages, as well as corporate governance and environmental management programs for SMEs.

BUSINESS ENABLING ENVIRONMENT: In collaboration with the World Bank, the donor community and various government agencies, CPDF supports the Chinese government's efforts to improve its collateral system. It also helps address key constraints, primarily in areas related to access to finance; performs administrative cost surveys and SME mapping; and supports business and industry associations.

CPDF's creation of the portable and flexible BE product line has also equipped trainers to act as independent contractors, selling courses without the aid of a specific partner. This is particularly relevant in public universities, which lack strong management and incentive structures motivating staff to expand their client base. By teaching MBA courses (in which SME high-level managers form a large majority of students), these professors have excellent opportunities to acquire new training clients, particularly for in-company training. Knowledge in Action utilizes BE products to conduct customized, in-company training for SMEs.

CPDF's ultimate objective in launching the BE Management Training Program is to provide SMEs with practical management knowledge vital to ensuring continued growth and success. A salient example is Sichuan New Continental, an animal husbandry SME in Nanjiang, a remote northeastern county in Sichuan. The average annual income per person in Nanjiang is between RMB 200-300. The nearest city is Bazhong, which lacks a rail line and is connected to the rest of Sichuan by a single two-lane highway snaking through mountainous terrain. The arrival of New Continental in mid-2003 represented residents' best economic hope for escaping from poverty.

Although the success of New Continental is directly impacting the lives of around 4,000 farming families, the company's future depends on management's ability to develop the Nanjiang yellow goat brand from a renowned local delicacy to a well-regarded product utilized in cosmetics and other downstream goods. CPDF has brought together New Continental and the Knowledge in Action team to strengthen the company's marketing skills and strategic vision. This company is an excellent example of CPDF's role as facilitator, linking the local training capacity available in cities with needs in remote areas.

6 *Scaling up: Lessons from China's Private Sector Experience*

Sichuan and Zhejiang offered important examples and lessons regarding the role of the private sector and scaling up. Successful approaches and models are being disseminated in numerous ways. The central government, for example, has organized a national symposium on the development of China's rural human resources in Quzhou, partly with the idea of popularizing the Quzhou model. Other poor municipalities and counties are adopting similar approaches to investing in farmers' education and facilitating migration.

External catalysts Field trip participants also learned about the role played by external catalysts in scaling up. CPDF, for example, has conducted benchmarking exercises between lagging and leading provinces such as Sichuan and Zhejiang, and has identified a number of areas where Sichuan is lagging and where the government can take measures to improve the investment climate. CPDF is working with the local government to assist with the implementation of these measures. The model of Wenzhou has been very popular in China and many of the institutional innovations there, such as the affiliated registration system, have been adopted across China.

Enterprise-level initiatives Enterprises are also scaling up successful approaches. New Hope has acquired 11 state owned enterprises in the dairy industry in various Chinese provinces. It has learned in the process how to evaluate potential acquisition targets, how to restructure them, and how to work with local governments. Starting in Sichuan, with the help of IFC, New Hope has transferred its skills and methods to other parts of China. In each province, New Hope reaches agreements with local governments to promote the development of the dairy industry. These agreements often include clauses that oblige the government to decrease administrative fees paid by farmers.

Transferring best practices and approaches is not easy and adjustments are often needed. New Hope, for example, is trying to promote the collective farm model for milk supply. This model has been successful in Inner Mongolia, and Shaanxi—provinces with longer traditions of milk production than Sichuan. Sichuan lacks this long tradition in part because its farmers are scattered in the hills, making it more difficult for them to form collectives. CPDF is helping New Hope design a workable cooperative farm model that will serve as a demonstration site.

New Hope brings a new commercial discipline to the companies it acquires. That New Hope is a listed company has made a considerable difference. New Hope is subject to the discipline of external investors, so the pressure to perform percolates down to individual plants. New Hope restructures and expands the operations of these acquired companies, saving jobs and creating new employment opportunities.

Competition An important lesson from the trip was the role of competition for scaling up. In China there is a significant degree of inter-jurisdictional and enterprise competition. Local governments compete with each other to attract investment and improve the lives of their populations. This provides the strongest incentive for learning and imitating successful approaches. The same holds true for companies. Participants in the field trip saw firsthand in Wenzhou how profits signal commercial success and attract new entries leading to the growth of private firms and new job creation.

These observations led participants to certain conclusions on how private sector models could be scaled up. Wenzhou's approach to scaling up was best summarized by a city official. "You let one tree grow tall and the others follow," he said. "Some people think you need to cut or trim the tallest trees. We think the opposite should be done: They should be supported to grow tall because they encourage others to grow."

Participants from developing and industrial countries and donor and multilateral agencies, summarized their observations and lessons into a few broad areas.

- It was touching and inspiring to see how peoples' lives have improved through the impact of the private sector. The migrant workers' strategy has worked well and can be used in other countries that suffer from surplus rural labor. It was instructive to see that the same provinces both import and export labor; the importance of labor mobility for development and poverty reduction cannot be underestimated. At the same time, labor mobility can become an impediment, if job creation in the cities lags behind the pace of rural migration, as shown by the experience of Pakistan and India.
- Not all strategies and approaches can be directly applied in other countries. They cannot even be transferred directly from one Chinese city to another. Each successful locality in China has learned from others but at the same time has found its own formula. This is an important lesson in itself: that approaches and solutions have to be adapted to fit the particular circumstances. There are no ready-made recipes for development.
- Participants were impressed by the role of political leadership for promoting development and by the dynamic interplay between the private sector, government, and society. As one participant put it: "Each place visited we saw different models, yet the common thing was that in each situation, each actor played the role in the way it needed to be played." And this is producing results.
- Participants also made observations about attitudes in China concerning change. Development is change, and development will slow if there is a fear of change. In China, there is a positive attitude to change, which is associated with progress. At the same time, some participants cautioned that this may lead to rapid loss of cultural identity and the destruction of traditional structures and values.
- Participants highlighted the crucial importance of both private sector and government action. Private incentives are important but not sufficient by themselves. The role of the government is also important, because without market order the private sector will not be able to flourish. The Chinese government has been effective in maintaining market order and providing the necessary infrastructure for private activities to develop. But challenges remain, such as building a social safety net.
- The success of Wenzhou highlights the importance of the government finding its proper role: getting out of the way and facilitating business and job creation. Removing remaining administrative barriers is key to improving the business environment.
- A certain degree of competition both among localities and among enterprises is essential for scaling up. It provides a powerful incentive to learn from success.
- The trip demonstrated the need for a holistic approach to development. A sectoral approach to development does not work. Environmental issues, social security, and job creation all have to be part of the development equation.

Appendix 1: Field Visit Program Agenda

CHENGDU, SICHUAN PROVINCE

Monday, April 12

Chengdu Program Opening

- Mr. Ziqian Liang, Deputy Director General, MOF
- Mr. Michael Klein, WBVP & IFC Chief Economist
- Wenguan Chen, Vice Governor, Sichuan
- Provincial Government Introduction on Poverty Reduction in Sichuan

IFC-CPDF roundtable with SME managers

- Mr. Xu Weiliang, GM, Basis
- Mr. Mao Jiatai, GM, Shiyun Paper Cup. Co.
- Mr. Yu Cunke, Director, New Continental
- Ms. Sun Suqing, Director, Sihai
- Mr. Chen Zhaohui, Director, As Foods
- Ms. Li Xuemei, GM, Maryya
- Mr. Yan Guosong, GM, Credit Guarantee Co.

Presentation by Chengdu City Commercial Bank

- Ms. Gong Juanjuan, Chairman
- Ms. Li Ailan, Vice President

Tuesday, April 13

Group A

Meishan County Visit New Hope Yang Ping Dairy plant and suppliers/farmers

Liujiang Town of Hongya county

- Visit to Hongxing milk cow district
- Visit to feed planting and research base
- Visit to dairy plant
- Presentation by Hongya county government and New Hope Yang Ping Dairy plant

Group B

Chengdu 10:30am

- Tour of Shiyun Paper Cup Co.
- Huarong Chemical
 - short introduction about the company
 - visit plant
 - discussions with re-employed

HANGZHOU, ZHEJIANG PROVINCE

Wednesday, April 14

Hangzhou

- Introduction to poverty reduction in Zhejiang Province by Executive Vice-Governor Zhang Mengjin
- Video: "Make People Escape from Poverty – a Report on Poverty Reduction in Zhejiang"

QUZHOU, ZHEJIANG PROVINCE

- Brief introduction to "A Training Program for Improving the Quality of 10,000 Farmers Lives"
- Video on farmers' training in Quzhou

Group A

Quzhou Quzhou Skills Training Secondary School High Level Housekeeping Training Program

Qingshi Town Farmers' Training Center Housekeeping & Sewing Training Program

Tonggong Town Farmer's Training

Group B

Shiliang Town Farmers' Training Center for House Maids and Security Guards

Qujiang District Employment Training Center - housekeeping and computer training programs

WENZHOU, ZHEJIANG PROVINCE

Thursday, April 15

Wenzhou

- Introductory session: Social & economic development and poverty reduction in Wenzhou city
- Video on social & economic development achievements in Wenzhou

Group A

Wenzhou Chint Electric Motor Company

Ouhai District Da Hao Food Company

Group B

2:20pm Leave for Yongjia County

Yongjia County Visit Ao Kang Shoe Manufacturing Company

Oubei Town of Yongjia County Visit to Xingchan Village

Friday, April 16

Group A

8:00am Leave for Longgang Town in Cangnan County

Visit to Longgang Town to learn about economic and social development programs

Qiaodun Town Visit Wanyao Village

Group B

Ruian City Visit a Linxi Town, specializing in manufacturing and processing of handicrafts

Chengguan Town Visit Ruian Commodity Market

Wenzhou

- Wrap up meeting
- Program Closing (4th floor, Huaqiao Hotel)
- Ms. Karin Finkelston, Senior Manager, China and Mongolia
- Jiang Xiaohua, Director, State Council Leading Group on Poverty Reduction

Appendix 2: China Private Sector Field Visit

April 12-16, 2004

LIST OF PARTICIPANTS

<i>Name of Organization</i>	<i>Name</i>	<i>Title</i>
Australia/AusAid	Mr. Richard Yu	Project Officer
Bangladesh	Mr. Md. Aminul Islam	Commercial Counsellor
Canada/CIDA	Mr. Jeff Nankivell	Counsellor, Head of Development Section
ILO	Ms. Youyun Zhang	Senior Advisor
India	Mr. Vinay Kwatra	Economic & Commercial Counsellor
JBIC	Mr. Konaka Tetsuo	Senior Representative
JBIC	Mr. Li Jiazhen	Senior Assistant
Mexico	Mr. Alejandro Pescador	Counsellor
Mexico	Ms. Tingting Liang	Mrs. Counsellor
Mongolia	H. E. Mr. Luvsandagva Amarsanaa	Ambassador
Mongolia	Mr. J. Sukhee	First Secretary
Pakistan	Mr. Tahir Hussain Andrabi	Second Secretary
Philippines	H. E. Mr. Willy C. Gaa,	Ambassador
Philippines	Ms. Marie Charlotte Tang	Third Secretary
Russia	Mr. Alexander V. Kozlov	Counsellor
South Africa	Mr. Elias M. Masango	First Secretary
Turkey	Mr. Emre Yunt	Minister Counsellor
Tanzania	Ms. Fatma M. Rajab	First Secretary
Uganda	Mr. Jack W. Wamai	Charge d' Affairs
U.K./DFID	Mr. Christopher Athayde	First Secretary/Deputy Head of DFID China
Viet Nam	Mr. Nguyen Duc Duong	First Secretary

Chinese Participants

MOF	Mr. Liang Ziqian	Deputy Director General, Int'l Dept.
MOF	Mr. Wang Wuhong	Deputy Director
MOF	Ms. Mu Tingting	Project Officer
MOF	Ms. Yu Lan	Project Officer
State Council Leading Group of Poverty Alleviation	Mr. Jiang Xiaohua	Director, Foreign Affairs Office
LGOP	Mr. Cao Hongmin	Deputy Director
MOFCOM	Mr. Chen Chao	Project Officer

IFC Participants

IFC	Mr. Michael Klein	Vice President
IFC	Ms. Karin Finkelston	Senior Country Manager
IFC	Mr. Stoyan Tenev	Senior Economist
IFC	Mr. Omar Chaudry	Economist
IFC	Mr. Desmond Dodd	Media & Marketing Manager
IFC	Ms. Zhu Wenqin	Country Officer
IFC	Ms. Yuan Wei	Interpreter

Media participants

Xinhua News Agency	Mr. Xu Song
Xinhua News Agency	Mr. He Junchang
CCTV	Mr. Qing Chuan
CCTV	Mr. Liu Hao
China Daily	Ms. Zhang Lu
Financial & Economic Daily	Mr. Xia Zujun
China Investment	Mr. Buer Gude

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