Article 3

2021

China's Success in Poverty Alleviation: Experience for Pakistan

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Recommended Citation

China's Success in Poverty Alleviation: Experience for Pakistan

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Abstract: This study analyzes the experience Pakistan can learn from China's great success in its poverty alleviation projects over the last four decades. During this period China has pulled millions of people out of poverty with its continuous macroeconomic and political stability along with rural development programs and its opening-up strategy. Recently, China has been serving as an economic role model for many developing countries like Pakistan. The China-Pakistan Economic Corridor initiated under the Belt and Road Initiative has cemented the bilateral relationship between China and Pakistan, thus providing an opportunity for Pakistan to learn from China's success in socioeconomic transformation. Based on this, Pakistan needs to redirect its policies to the agriculture sector through reforms in landholding and redistribution. It also needs to enhance public investments focusing on improving rural infrastructure, education, and access to basic health services.

Introduction

While the fight against poverty is a global phenomenon, the success of China's reduction in poverty is significant and has attracted the attention of academics, policy makers, and social scientists around the world. Numerous studies have attempted to draw experiences from China's

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successful model and apply these experiences to their own settings. For example, in a recent study, Gerard and Sun (2019) have drawn some policy lessons for Rwanda, which can be used to pull millions of their population out of poverty. Similarly, Heilig, et al (2005) has focused on Africa, Asia, and Latin America while drawing experiences from China's successful model. According to this study, these countries need to focus on political stability, regional development, and prioritize targeting improved access to education, health care services, and basic life services to their vulnerable populations.

Over the last four decades, China has alleviated poverty in both urban and rural areas. This was achieved through intensified structural reforms and trade policies. China's leadership has followed various pro-poor, welfare-oriented programs which improved people's lives in many aspects including education, health, infant mortality rates, housing conditions, and sanitation facilities. The results pulled millions of people out of poverty. According to the National Bureau of Statistics of China, the number of people in poverty has dropped from 770 million to 16.6 million, a poverty rate reduction from 97.5 percent to 1.7 percent between 1978 and 2018. The World Bank also mentioned that China's effective poverty alleviation policies had lifted around 700 million people out of poverty by 2017, contributing over 70 percent to the global poverty reduction.[1]

In Pakistan, poverty has fluctuated over the last four decades, with poverty rate still high, nearly 39 percent. More than one third of the population live under a multidimensional poverty index with extreme disparities among the provinces; 73 percent of the people in KPK and 71 percent in Baluchistan live in multidimensional poverty compared to 31 percent in Punjab and 43 percent in Sindh (GoP, 2018). Pakistan did not meet the United Nation's Millennium Development Goals (MDGs) of halving their poverty and has equally lagged in meeting the Sustainable Development Goals (SDGs) of eradicating poverty in all forms. This gives rise to the need of addressing a few important questions regarding Pakistan's unsuccessful attempts to reduce poverty and what it can learn from China's success in its fight against poverty. With the China-Pakistan Economic Corridor (CPEC) being established now, the relationship between the two countries has been further cemented, which makes it even more important to make a comparison for drawing policy outcomes for Pakistan.

In this context, this study focuses on the trends of poverty programs and institutional frameworks used for poverty alleviation in Pakistan. While taking China as a role model, this study attempts to highlight the programs and institutional frameworks instituted by China, through which it achieved its incredible results in alleviating poverty in both urban and rural areas. In this context, this study explores the following questions:

1. Given the historical overview of poverty reduction strategies in China, what are the programs and institutional frameworks that have helped China in pulling millions of people out of poverty?

2. How has Pakistan fared in terms of its fight against poverty over the years? What are the

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[1] "Understanding China's Poverty Reduction Success to Benefit the Global South'', World Bank report, 2017.

institutional barriers restricting their success?

　　3. What experiences can Pakistan draw from China's successful fight against poverty?

　　This study is divided into five sections. Section one is an introduction and Section two discusses the overview of China's poverty reduction strategies while Section three discusses poverty, income, and macroeconomic condition of Pakistan. Section four draws experiences for Pakistan and Section five concludes this study.

Overview of China's Poverty Alleviation Strategies and Programs

　　China has made significant progress in pulling millions of people out of poverty since the 1970s due to continuous reforms along with structural changes which facilitated a shift from a centralized planned economy to a socialist market economy. This led to economic diversification and paved the way for a shift from agriculture to manufacturing and service industries with enhanced technological development, which led to China's "opening up" and from there to international trade. China introduced the Seven-Year Program for Lifting 80 Million People Out of Poverty (1994-2000), which was aimed at lifting poor households from poverty. It included improving agriculture, creating and exploiting employment opportunities, providing basic development infrastructures including housing, electricity and access to clean water, ensuring primary education for all, and improved and accessible health care services (Wang, Li, & Ren, 2004).

　　China's success with its poverty alleviation strategies was made possible due to its continuous macroeconomic and political stability. China also made reforms to its political and administrative systems to enhance the effective decision-making process. This helped in bringing together private enterprises and state-owned companies, along with other stakeholders to implement joint efforts in combating poverty in China. In addition, Hongbing (2001), in his study on China's fight against poverty lays emphasis on the contributions of innovative start-ups and projects towards job creation for young engineers along with their initiatives for rural households. Later in 2001, the Chinese government started a new poverty alleviation program for developing rural areas through better infrastructure education, such that the migrations of people from rural to urban areas could be reduced. This plan later became the cornerstone of the Chinese government's efforts to reduce rural poverty, which led to huge success in its fight against poverty. During this period, the annual poverty reduction rate was 12.5 percent, while the literacy rate rose to 80 percent and life expectancy was increased to 70 years with low mortality.

　　Moreover, the government initiated the Outline for Development-Oriented Poverty Alleviation for China's Rural Areas (2001-2010), in which the emphasis was mainly on science and technology along with culture and health improvements. With an uptick in globalization, leading to enhanced global networks, China was able to boost foreign direct investment (FDI) which led to an industrial revolution that produced a huge amount of exports, the construction of new cities, and rapid developments in high tech innovations (Liu et al., 2017). This program led to a decrease from 32

million rural poor in 2000 to 15 million in 2007. This was largely made possible by the capacity development of local communities through agriculture technology training along with investments in infrastructure including roads and irrigation projects, and the construction of schools and health clinics (Dong, 2017).

While studying these current poverty reduction strategies, it was observed that the Chinese government had also initiated the Outline for the Development-Oriented Poverty Alleviation for China's Rural Areas (2011-2020). According to this plan, the first and foremost objective was to eliminate absolute poverty by 2020 and the second objective was to narrow regional disparities. To effectively achieve these objectives, the government formulated another five-year plan in 2016, in which the focus was on providing assistance to households through opportunities for agriculture and industrial development with more focus on inclusiveness and ensuring better housing conditions for people (Liu, 2017). Moreover, the focus was also on providing education in poor counties through free lunches for primary and secondary students along with providing technical and vocational training and providing poor households with assistance in accessing health services through social security. The success of these policies can be gauged by the fact that during the period between 2010 to 2016, the poor rural population has been reduced from 166 million to 43 million with an annual reduction rate of 20 percent.[1]

Today, as the world is reeling with the global pandemic of Covid-19, concerns are being raised as to whether China will be able to meet its target of poverty eradication. However, the authorities are confident as they say that China achieved its targets of reducing the regional poverty in 2019. According to the statistics, the rural poor population was slashed from 98.99 million in 2012 to 5.5 million in 2019, as shown in the figure below. In order to have smooth implementations, the government took various

Figure 1   Population in Poverty Drops

Source: National Bureau of Statistics of China.

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[1] United Nations Development Program (2016). Report on Sustainable Financing for Poverty Alleviation in China.

measures to accelerate the pace of its production, with a particular focus on poverty reduction projects. China's major industries have resumed operation, income support has been provided to vulnerable people in terms of the sale of agriculture and livestock and easy point-to-point buses and trains are being ensured to help workers to return to work.[①]

Pakistan's Poverty Reduction Strategies: An Overview

During different periods, Pakistan has adopted different programs, the focus of which was reducing poverty mainly through rural development, human development, and the empowerment of women. Rural development and employment creation were the by-products of the programs devised by various regimes for poverty alleviation. For instance, these include Village Aid (1950), Rural Works Program, People Works Programs, and other similar ventures. Provisions for social services such as education and health, construction of irrigation networks and dams were also parts of the efforts made by different governments for addressing poverty in Pakistan. Additionally, land reforms were implemented twice for assets distribution, but the design of these reforms was such that they could not pursue any departures from the existing skewed distributions.

Most of these programs were state-sponsored or funded programs (the funds were provided by foreign donors). During the 1990s, NGOs were starting to be involved in poverty eradication activities. Also in the 1990s, with the steady withdrawal of the state from social sectors, poverty alleviation strategies were directed towards building and strengthening social safety nets, largely with the involvement of the NGOs.

In 2008, the Benazir Income Support Program (BISP) was launched by the Government of Pakistan for protecting the poor. This program was introduced to provide relief to the poor, particularly to women, to counteract the negative impacts of a food crisis and inflation. Being Pakistan's largest social safety net, it proved to be a miracle for the poor and a pride for poverty alleviation strategies. Perhaps, this program is the most internationally celebrated success story of Pakistan.

However, specific, or sectoral-based development efforts have been unsuccessful in bringing major positive improvements to the living conditions of the rural poor. This is due to low awareness, centralized decision-making processes, and low participation of local people in the community development programs. Although public spending seems to be adequate and the proper utilization of it could provide reasonable levels of public services, the government's weak public institutions, mismanagement, and resource wastages have proven to be major hindrances to the achievement of the desired results.

Successive governments in Pakistan have initiated poverty reduction programs, but not much has been achieved due of their underdeveloped institutional mechanisms, policy gaps, insufficient implementations, and weak human capabilities along with low spending on social sectors. Agriculture constitutes the largest sector of Pakistan's economy. Majority of the population, directly or indirectly,

① https://news.cgtn.com/news/2020-04-15/Poverty-alleviation-in-China-A-must-win-battle-despite-COVID-19--PHBQAWs4da/index.html

dependent on this sector. However, due to the concentration of land in a few hands, the past agriculture policies have failed to benefit the small farmers, as a high percentage of rural poverty is due to landless people and mostly small farms.

Policy Experiences for Pakistan

After discussing China's model of success in its fight against poverty in detail, there are some important experiences we can draw for Pakistan. Although China is dissimilar from Pakistan in terms of its size, geographical location, substantial industrial development along with a high rate of economic growth, which it has achieved during the last four decades, Pakistan has achieved considerable progress in alleviating poverty over the last few decades and it is on the right track in its fight against poverty, which has been reduced by 24 percent since 2005. However, the poverty in Pakistan is multi-dimensional, where more than one-third of the people lack access to education, health care, proper sanitation, and a decent means of livelihood. Pakistan can learn from China's success in fighting poverty while identifying and dealing with the economic, political, and institutional constraints Pakistan has faced over the years.

Growth Inclusiveness

China's sustained and inclusive growth model along with pro-poor development strategies can serve as a good experience for Pakistan to alleviate its poverty. Over the last 40 years, China has set a precedent in focusing on its agriculture sector, which has led to rural development, and therefore a major reduction in rural poverty has been achieved. Pakistan, on the other hand, has been too weak in formulating policies for its agricultural sector, resulting in its failure to significantly enhance rural development over the last seventy years. Their agriculture growth policies have been biased against small farmers, thus making present-day interventions for small farmers especially important. Moreover, investments need to be enhanced for rural infrastructure, such that an effective linkage between the point of production and the point of distribution can be ensured. Along with this, more interventions should be made in the livestock industry so that the landless people can be provided with livelihood opportunities as observed in the last section. Chinese agricultural growth has made four times the contributions to lessening rural poverty than growth driven by sectors like manufacturing and service industries (Diao et al., 2010). This was made possible by enabling internal markets and pricing systems with subsidies on farm inputs, government investments in rural infrastructure, and ensuring trade safeguards for small farmers. Pakistan needs to redirect its focus to agricultural growth along with rural development to reduce the poor population which is twice as great in rural areas as that in urban areas: 36 percent versus 18 percent.

Targeted Poverty Reduction Policies and Programs

The Chinese government has focused on alleviating poverty through economic development.

The government has devoted huge resources to poverty reduction programs while instituting national poverty institutions. This has helped redirect funds to countryside development while initiating different poverty reduction programs for low-income households. Moreover, China has also invested in training and skills development for the manpower dealing with these programs, rather than relying on consultants.

Pakistan can learn from China's experience and establish institutions that could directly identify poor people in need of public assistance programs. Although Pakistan initiated a social protection program, the Benazir Income Support Program (BISP) in 2008, which caters to four million poor households by giving direct cash as income support to maintain the minimum level of welfare, and more recently established a Poverty Alleviation and Social Safety division, under which Ehsaas Programs were launched by the current government to reduce inequality, invest in people, and the uplifting the lagging districts, more of these types of programs are needed to expand and ensure livelihood opportunities more sustainably.

The Chinese model of poverty reduction strategies points out the fact that Pakistan needs to go for multi-targeting projects, as it cannot rely on direct cash payments to reduce poverty. The Chinese model of food-for-work, employment-for-living are important and need to be imitated to ensure interventions in multiple sectors. Although Pakistan has also reduced poverty through micro-financing, it also needs to be expanded further to achieve the targeted results. Thus, a multi-dimensional approach is needed to tackle the multi-dimensional poverty in Pakistan.

Institutional Reforms and Capacity Building

China's success with poverty reduction lies in its strong public institutions and their supporting policies, along with public investments in overall capacity building. Since the 1970s, China has focused on the administration and leadership at township and rural village levels, engaging local people to be more participative and more accountable for the local economic development. Unfortunately, Pakistan lags in effective institutional mechanisms, which has constrained their results. Pakistan needs to delegate power to the lower tiers, and for this, it must safeguard local governments and invest in creating and developing local government institutions. This will help lens services at the grassroots level. Thus, it is important to have a bottom-up approach along with a top-down approach so that poor people can be targeted accurately for service delivery.

Land Reforms

In rural settings, the land is a major asset, which signifies the primary economic, wealth, and social status. It is the primary source of livelihoods and provides food, shelter, and economic activities along with employment opportunities in the rural areas. In the case of China, we observed that rural poverty sharply declined between 1978 and 1983 when farming was equally distributed from the collective economic organizations to individual households. Later, the agriculture policies which accompanied this distribution brought a significantly positive change in the income of rural people.

In Pakistan, the land is owned by a few individuals, thus agriculture policies have benefited only these people. Despite three land reforms, 1957, 1972, and 1977, Pakistan has failed to redistribute land properly. Rural poverty still concentrates among the landless and small farmers. Thus, Pakistan can learn a experience from China in implementing land reforms to tackle rural poverty. This can be possible if the government shows a strong political desire to reduce poverty and takes experiences from the successful models of countries around the world, with China being the prime example.

Reducing Regional Disparity

China has substantially reduced poverty and committed to reducing regional disparity. China's guideline on advancing the development of western regions in new era to promote coordinated regional development. In Pakistan, inequalities and disparities are high across regions with many being deprived of social and physical capital. Therefore, in its development strategies, Pakistan needs to focus on and target the poor regions. Resources and funds sharing must be based on the poverty level of each region.

Conclusion

This study reviewed poverty reduction policies and programs that have led to a landmark success in China's fight against poverty during the last four decades. China's success in poverty reduction has benefited from its agricultural policies instituted in the late 1970s, major public investments in the 1980s and continuous institutional and structural reforms which shifted its administrative setup from a centralized, planned economy to a market-oriented economy with more developed powers. Moreover, much of the success is rooted in its continuous macroeconomic and political stability, which has ensured successful poverty reduction policies at the macro level with its focus on empowering the poor at the micro level.

Successive governments in Pakistan also initiated poverty reduction programs, but not much has been achieved due to their underdeveloped institutional mechanisms, policy gaps, insufficient implementations, and weak human capacities along with low spending on social sectors. Agriculture constitutes the largest sector of Pakistan's economy. Majority of the population, directly or indirectly, dependent on this sector. However, due to the concentration of land in only a few hands, their past agricultural policies have failed to benefit the small farmers, as a high percentage of rural poverty is just because of these landless people and small farmers. Thus, Pakistan needs to redirect its policies to the agricultural sector with major reforms in landholding and redistribution. It needs to enhance public investments with the focus on improving rural infrastructures, education, and access to basic health services. In the past, urbanization has helped reduce rural-urban poverty, however, with an increasing influx of people to the urban centers, over-stretched housing and the existing weak infrastructure have given rise to other problems. A planned urbanization policy is needed urgently to promote better rural-urban integration while developing more small cities and towns. Moreover, it is

important to raise the capacity of local governments and institutions.

Moreover, the Chinese experience suggests a more geographically oriented targeting, where people in the poor regions are targeted for specific, locally designed schemes and programs as opposed to a simple universal targeting of the entire country for various programs. To reduce regional disparities, Pakistan should also focus on the regions with the highest poverty rates, so that the sense of social inclusion is guaranteed for a wider segment of society.

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(Editor: Xiong, Xianwei)