Poverty Alleviation Model of China: Lessons for Pakistan
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Poverty Alleviation Model of China: Lessons for Pakistan

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Abstract

In Pakistan, poverty alleviation is a momentous issue, as 24.3% of population still lives under treacherous conditions. Although, this figure is contested by independent sources, we will stick to quote the official number. For economic and social wellbeing of any country, it is mandatory to pull people out of poverty. The new government is enthusiastic to exterminate the multidimensional poverty either directly through creating job opportunities or indirectly through providing people with basic health and education facilities. Various projects are in the pipeline at enormous level that may help in alleviating poverty. Projects like five million low-cost housing units, industrial subsidies, employment, institutional reforms in health and education sectors can better pave the way to curb the menace of poverty.

All these developments are being initiated with the dogma to improve life standards of the poor. Multi-dimensional poverty, which Pakistan is facing now, cannot be eliminated without launching appropriately targeted programmes. In this regard, Chinese model to eradicate poverty is crucial to understand so that better policies can be devised with the efficient use of limited resources. China’s poverty alleviation programme was customized for the rural and urban poor separately. Urban administration went for tailor-made policies to get quick results while rural programmes were mainly financed by central government.

Under this programme, poor individuals with no sustainable source of income, no capability to work and without any guardian were taken into account. Later, this programme was spread to facilitate the poor with health and education downsides. In addition, various jobs were allocated by rural or urban administrations to the poor so that they can earn their livings by themselves and spend it to fulfil the basic needs. Food-for-work was another programme where the poor in rural areas, without any livelihood sources, were given chance to work for the government project and, in return, they get healthy food besides their income.

In the same way, Pakistan must learn from the success story of China to end multidimensional poverty. The government seems passionate to borrow lessons. Prime Minister Imran Khan has visited China in the first week of November. This study will help the government provide policy implications based on lessons from China’s poverty alleviation programme.

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1. Introduction

Intensified structural reforms by the Chinese government have been of great assistance in their landmark success to alleviate poverty in urban and most importantly rural areas. During the last four decades, China has made momentous achievement in lessening poverty by instituting revolutionary structural reforms and trade policies. The country embraced poverty elimination policies in 1978. The World Bank concedes that as result of China’s effective poverty dismissal policies, around 700 million people raised out of arduous poverty by 2017. In this span of time, the poverty rate dropped from 88 per cent in 1981 to merely 2.1 per cent in , which is a groundbreaking achievement. Such incredible developments in plummeting poverty is guaranteed by the steady and rapid economic growth escorted with coherent political environment.

The traditional poverty alleviation programme of China that was made under a planned economic system aimed to help masses at “Three-Withouts”, including people without:

i. Sustainable income source
ii. Capability to work
iii. Legal guardianship

However, massive unemployment along with income inequality generated an urgent need to develop broader and comprehensive social assistance programme that can work as a last resort to pull people out of extreme poverty. Gao and Riskin (2009) said that major social indicators had dis-equalizing impact at the start of trade. Their research shows that solution to shield ultra-poor people is the providence of social assistance to make them available with basic safety net.

Types of poverty in China, its examples and the measures taken by the successive governments are briefly described by Heilig et al. (2006) in diagram 1.

Diagram 1: Major Types of Poverty and Corresponding Poverty Alleviation Methods

Institutional arrangements coupled with targeted interventions played a leading role in curbing poverty. Strong political will and determination had a significant impact as well. This study specifically focuses such programmes and institutional framework.
The study is divided into six sections. Section 2 includes the kind of targeted interventions China has done to reduce poverty. Here China’s largest poverty alleviation programme, along with type of targeted segment of society, is discussed in detail. Section 3 constitutes the institutional framework that describes what kind of institutions were used, what rules were made to profile the poor, how to scrutinize the applicants and how government officials were made accountable. Section 4 discusses what made China’s programme successful as compared to other pre-existing policy doctrines to eliminate poverty. Section 5 is regarding the issues and challenges that Chinese government encountered while implementing the poverty alleviation programme. The last section provides the takeaways from the lessons learned by China’s poverty alleviation programme.

2. Targeted Interventions

Chinese government chalked out an enlarged programme to restraint poverty. The programme with its institutional arrangements is discussed here for better understanding and deducing results for policy intervention in Pakistan. In this regard, Dibao was the biggest programme initiated in the recent human history to eliminate poverty.

2.1. Dibao Programme

In the early 1990s, China went for a primary social security programme called Minimum Livelihood Guarantee (MLG) or Dibao that targeted poor in rural as well as urban areas. The programme is regulated by central but implemented by the local governments. It is principally financed by local governments but subsidized by central government when counties encountered financial restraint. In 2014, Dibao contained 76% (42% rural and 34% urban) of the total expenditures allocated for social security net covering more than 40% of total population. As an alternative to old social security programme, it focuses the most vulnerable groups with no ability to work and support of family and was set up for “the new poor” who have capability to work but unable to fulfil their basic needs due to no job opportunity (Gao, Yang and Li, 2013). Dibao helped in addressing the inimitable needs of ultra-poor by providing them supplementary assistance in four major areas, i.e. housing, health, education, and temporary assistance for unexpected disaster (Liu, 2010).

These assistance programmes are described below.

a. Low Rent Houses for the Poor

Housing assistance was first announced to provide low-rent houses to poor families with mammoth housing needs. Funded by local and backed by the central government, this programme was extended in 2007 by proposing renovation support to poor families having shabby or precarious houses (Xu, 2013).

b. Targeted Health Reforms

Health assistance was directed to only rural area but later it was provided nationwide under Dibao and Wubao programmes. Medical succor was provided in the form of cash subsidies – majorly through reimbursement to avoid cash usage for other tenacities, including inpatient treatments, insurance premiums and also doctor’s visits. In addition, a tailor-made insurance programme was also executed. Under this programme, low cost medical insurance was provided to low income people whereas free insurance facility was given to the poor segment of population. This rationing in health sector has enabled Chinese government to target deserved people while excluding free riders.
c. **Educational Emergency**

Third pie of social assistance programme is the education launched by Ministries of Civil Affairs and Education. Funded by central and local governments, it provides support for implementing policies by the non-government organizations (Aizer et al. 2014). Education remains the keen focus of Chinese government on the rationale that it makes people independent. Education helps people in earning livelihood and improves their lives.

d. **Emergency Provision**

Temporary support consisting of exigent aid for families encountering sudden disasters, precarious diseases, startling incidents or same kind of other hardships was first introduced in 2007.

These state interventions helped the government in dealing with large-scale poverty in China, which ultimately pulled the masses from poverty trap.

3. **Institutional Framework**

China’s social security programme was structured to exterminate extreme poverty by bringing about structural reforms switching partially from planned to open economy. But, during early years of institutional reorganization, poverty stirred up instead of fading away. Cause of poverty upsurge was the lay-offs, as state-owned enterprises were made private and got prone to intense competition in international market (Barrientos 2013). This stressed structural transformation was a gigantic challenge for the Chinese government, which resulted in widening scope of social policy.

The Chinese government then developed a comprehensive response to this by devising a detailed and well-thought-out institutional framework. Most important element was step-wise interventions. This framework included profiling of the poor, involvement of government officials, various stages in the implementation of Dibao, structure of incentives and performance evaluation.

These step are described here.

3.1. **Profiling of Dibao Applicants**

Profiling of Dibao beneficiaries was done by the Ministry of Civil Affairs in 2013. Outline was formulated by upgrading institutional framework to get better results. These institutional changes include are as follows:

i. Allowing households (HH) to directly apply for social security programme in department of Civil Affairs.

ii. Requiring county officials to scrutinize at least 30% of applications

iii. Formulating a system for filing and auditing of local official and their relatives

iv. Establishing a system to get timely feedback from community regarding benefits of Dibao and how services can be improved

v. Cross-checking the information provided by Dibao applicant with the info from other departments of government i.e. checking vehicle registration data, savings information, etc

The government has efficaciously attained the milestone by pulling millions of poor people out of poverty. This was possible only because of the profiling of the poor. Although China embraced open economy charter, major institutional reforms were needed to make a breakthrough. Instead of espousing free-market ideology and lessening the entire grip, the government has been keeping
many institutions in-hand. This institutional setting functioned as bedrock of Dibao and played a vital role in its success.

Threshold to be included in Dibao was also rationed. It was made low for counties having ultra-poor people but was quite high for the relatively rich counties. Targeting framework helped in the success of poverty alleviation programme. These profiling techniques kept higher income people away from getting facilities under Dibao.

3.2. Involvement of Local Officials

Implementation of Dibao programme was held basically by village committees. Village leaders and other committee members identified potential/deserving candidates for the social assistance. As members live within or in close proximity of village, so they had a required knowledge of who deserved to be beneficiary. In this way, free-riders were easily stopped from getting any benefit. Applications of deserving people were forwarded to county authorities and then decision was made collaboratively. After the decision was made, the names of successful candidates were made public in every village. This was done to announce that decision is made rightly and deserving people are included in safety net.

3.3. Benefits of Involving Local Governments

Local governments remained useful in obtaining results to reduce poverty in China. Following benefits were achieved after including local governments in implementing Dibao programme.

i. Availability of manpower required to execute the programme
ii. Large population of the poor could be dealt with the help of local officials.
iii. Local government participated by providing resources.
iv. People concentrated in remote areas were able to get benefit from social security programme.

Easy targeting has made viable for local government to initialize poverty confiscation plan. After getting prodigious results in Shanghai, five other local governments also adopted the programme to antidote intense poverty in cities (Hong, 2005).

3.4. Stages in Implementation of Dibao

For the success of social security programme in several urban areas, the Chinese government implemented this plan centrally so that the poor could afford basic necessities. The plan was executed in four stages.

1. First Stage

   At the first stage, Dibao was implemented at local level and then replicated nationwide. Rural regions were taken into account while regulations regarding target population and how to assist the poor were also set up at this stage.

2. Second Stage

   At the second stage, the programme was widened nationwide covering all rural areas and making full coverage possible for all eligible people.

3. Third Stage
From 2007 to 2013, the third stage was stabilization and standardization of Dibao in rural as well as urban areas. Goal to get detailed data on HH economic situations was set so that supplementary assistance could be delivered to low income families.

4. **Fourth Stage**

Last stage of the programme, initiated in 2014, was to provide a last resort in critical situations like disasters and adversities.

3.5. **Two-sided Performance Pressure on Govt Officials**

Responsiveness of local government officials to citizens of their constituencies has played vibrant role in the success of social security programme. Democracies encounter pressures from below by citizens to answer back through political actions or incentive conveyance (Cleary, 2007). But in authoritative regimes pressure is exerted from below as well as from above on local governments. Bottom-up pressure is by populace demanding responsiveness (Butler and Broockman, 2011) whereas top-down pressure is by central government to make local officials responsible (Fukuyama, 2014).

This double-sided pressure happened to exist in China making local government officials accountable (Edin, 2015). Chen (2016) is of the view that almost one-third of the local government officials in China respond to citizen’s demand to offer social welfare. As a result of this top-down strain by the central government and bottom-up stress by general public, the performance of local officials had become enact. The causal response of threat and responsibility triggered the local government to implement the programme effectively.

3.6. **Invective Structure for Local Officials**

Local officials exerted their full effort in response to institutional structure of accountability. Top-down pressure and incentives of promotions helped in making programme successful. Institutional framework was set up to evaluate the performance of officials on the basis of poverty reduction in their constituency. Promotion of government officials was being gauged not only on attaining economic growth but also on levitating lives of the poor (Hasmath and MacDonald, 2018). Performance based measures assisted Dibao programme to become successful even in areas where it was highly skeptical.

It can be said with ease that institutional structure worked as bedrock in annihilating poverty. This program is recognized and applauded in whole world.

4. **Difference from Rest of World**

Eradicating poverty in China was the momentous issue as masses had been living below the poverty line since the beginning of twentieth century. To uplift people from poverty trap, Chinese government took initiative in the late 70s. It was started from industrialized cities and later extended nationwide. A radical plan was designed to end hunger and malnourishment. The Chinese government opted for multi-targeted programme instead of going for Unconditional Cash Transfer (UCT) scheme. Policies to lessen extreme poverty were devised by bringing altogether new solutions (Wong, 1998). First time in history, a government embattled multi-dimensional poverty at such a vast level. China’s multi-dimensional poverty extermination programme was espoused long before the United Nations has acknowledged multi-dimensional poverty.
Alternative to UCT, Robertson et al. (2013) state that the Chinese government got acquainted with Conditional Cash Transfers (CCT). Various programmes were brought into action to increase the affordability of the poor to buy low-cost houses. Similarly, free or low-cost medical insurance, compulsory education with no cost and provision of subsidies to families undergoing severe illnesses were also included in these programmes. This multi-targeting approach helped local governments in China to pull masses out of varied kinds of poverty traps. Effectiveness of these policies persuades not only the other countries but also the UN to go for multi-dimensional poverty eradication (Brown, 2002). Programs under Dibao like food-for-work, jobs to earn living, loans on easy installments and free/low-cost health insurance schemes were themselves innovative. These programmes were later opted by the countries like India and Bangladesh.

With the introduction of innovative plans, China also went for paradigm switch from planned-to-market economy. Despite opening its borders for trade, the government kept firm control over domestic economy. Policies of mainstream economics propagated for liberal reforms but China accomplished high targets set to bring poor out of poverty by adopting non-liberal policies. Organizations like International Monetary Fund (IMF) kept on calling to embrace liberal policies. But, China went for tailor-made policies by opening its borders only for industries that were ready for international competition. At the same time, protection was given to domestic industry that was prone to competition. This has helped Chinese cities to grow rapidly and with the intervention of local governments, institutional changes were made. Effects of these policies were trickled-down. Such policies were originated by China with an amalgamation of liberal and command economic doctrines and customized to domestic environment.

Explicitly tailored policies were behind the attainment of poverty alleviation programme of China. These rules have made China’s case poles apart from other countries those embraced neoliberal policies in the wake of IMF plans. Intriguing example is Shock Therapy (Klein, 2007) in Russia by economist Jeffery Sachs referring to immediate switching to free price movements, lifting currency controls, removal of state subsidies and trade liberalization. Chile was the first country undergone Shock Therapy in 1975 after military coup by Augusto Pinochet. But, these pro-market shock therapies resulted in bringing new problems instead of solving old problems. In this regard, China’s model of approving moderate level of liberalism worked fairly well. Developing countries are facing immense challenges in poverty reduction but productive results can be obtained by targeting multi-dimensional poverty with tailor-made reforms.

5. Issues and Challenges

Social assistance is not only the flagship programme of China but also it is recognized all over the world. It is a prevalent programme in terms of percentage of population coverage. On the one hand, it has many pluses while on the other there are many challenges in implementing this programme. In transition from planned to market economy, market competition makes some people better-off at the cost of others. Same has happened in China, creating new class of urban poor and resulting inequality. At the start of delivering social assistance, many state-owned enterprises were privatized under the newly-introduced market-reforms, but on the other side unemployment raised sharply in urban area.

In addition, the main challenges faced by the Chinese government in the implementation of Dibao are as follows:
5.1. Laying-off Workers by Private Companies

Huge efficiency losses in newly-privatized companies resulted in laying-off workers. In the process of switching from state-owned to private companies, the economic growth of China shrinks amply. Feng, Hu and Moffitt (2015) state new class of urban poor came into existence because of massive laying-off in industries as many went bankrupt in striving for efficiency. Structural reforms brought changes in welfare responsibilities of enterprises. In making Chinese industry prone to international competition, the burden of welfare payment shifted from employer to employee, making individuals vulnerable.

5.2. Mis-targeting of Potential Applicants

Evidences suggest that Dibao programme was confronted with substantial level of mis-targeting, as a considerable number of eligible households for social security was not included while those with relative better income level were counted in safety net (Gao et al. 2014). Solinger (2008) states that slip in the implementation of programme stem from the procedure of Dibao application.

5.3. Involvement of Cadres in Dibao

Part of mis-targeting was because of involving cadres to help and look for underprivileged applicants. Considerably significant unhealthy practices in urban and rural Dibao were witnessed that outlined major causes of inefficiency in Dibao programme.

Following three are the main reasons.

i. Village cadres didn’t do their job as they didn’t go to villages to get to know who really deserves to be included in safety net.

ii. Dibao programme was not satisfactorily open and transparent in the eyes of citizens.

iii. Village cadres were selfish and they benefited their own relatives and friends.

5.4. Dis-entangled Counties

Along with these issues, the foremost challenge in the implementation of Dibao was in Western counties those were disentangled from Eastern industrialized cities (Heilig et al. 2005). Western provinces are land-locked by Taklimakan desert on the one hand and on the other these provinces are isolated by mountain ridges on borders with Tajikistan and Turkmenistan. Demographic characteristics of this region with regard to distance, form of land, extreme climate disposal and altitude make it disadvantageous for an economic growth.

In contrast to high growth achieving provinces of China, the Western province needed more resources because of mammoth number of the poor. But, local governments didn’t have required funds. In addition, remote regions couldn’t get benefit from the fruits of remarkable economic growth in Eastern areas through trickle-down effect (Kakwani et al. 2018). That’s why, social protection programmes had to be majorly funded by the central governments in Western counties. In coping with the issue of resource constraint for Dibao in Western regions, central government apportioned more funds in comparison to Eastern high growing provinces. Another vigorous challenge for the government was because of topography in Western region. It was hard that social security net is made available to the people in remote areas, affected bleakly by climate change and natural disasters, but couldn’t get any relief.
Despite all the above-mentioned austere challenges faced by the Chinese government, the world’s prevalent social security programme was successfully implemented. It effectively pulled a vast pie of the poor out of poverty in spite of white-knuckle challenges. China has future aim to end extreme poverty by 2020. It is the political will that lend a hand in making unattainable goals possible. Target to eradicate immense poverty is remarkable even with hard-hitting issues of low GDP growth, mis-targeting the poor, aiming unreachable zones and immense unemployment due to paradigm shift from planned to open economy.

6. Lessons for Pakistan

In Pakistan, 24.3% people are still living below the poverty line. Although poverty headcount ratio has been 26% since 2005, there are substantial changes that need to be done. Poverty in Pakistan is multi-dimensional as people are adversely affected by drought, lack of clean water, large-scale unemployment, and non-availability of health facilities.

Pakistan should learn lessons from the success story of China in alleviating poverty. Some of the lessons in this regard are summarized below.

6.1. CCT are preferable than UCT

Instead of unconditional cash transfers, like Benazir Income Support Program (BISP), the government should launch conditional cash transfer (CCT) programmes. Such programmes were introduced by China and followed by India successfully. They will help control food scarcity among the poor. It has been witnessed that UCTs are not rationally used by individuals even if they are in dire need of basic commodities. It is suggested to go for CCTs to make household able to meet the basic livelihood.

6.2. Targeted Employment Programmes

To overcome the issue of unemployment in rural areas, China’s social security programme can be replicated making adjustments in Pakistan’s perspective. The Chinese government hired unemployed people for different jobs so that they might earn their livelihood. The programmes like food-for-work were introduced for this purpose. China gave jobs to unemployed people. Jobs like gate-keepers, security personnel and labourers in construction projects were offered to the unemployed. India also imitated this model by offering jobs to the poor unemployed and used their services in the construction of roads, etc.

Poverty and unemployment is high in rural areas of Pakistan, so following in the footsteps of China, the problem of unemployment can be tackled. For this purpose, targeted programmes must be introduced exclusively for the benefit of the poor.

6.3. Health Reforms are Inevitable

Health issue is severe in urban and rural areas of Pakistan. The Government of Khyber Pakhtunkhwa (KPK) has implemented health reforms benefiting 1.8 million people. Like China, Pakistan should adopt dynamic health policies as low-cost insurance to low income people but free insurance to those who can’t afford. Rationing must be done in targeting the poor for those who cannot afford expensive health facilities.

Health reforms must be implemented nationwide to restrain the issue of poor health in the lower class. Malnourishment is mainly found in rural areas due to less employment opportunities, rising
agricultural cost and single vulnerable source of livelihood. Economically weak out parents cannot provide good living to their children that ultimately affect their health (ShuHong and Ranjha, 2017). Curbing unemployment will eventually recover the health situation of masses in rural areas.

6.4. Implementation of Institutional Reforms

Institutional framework of implementing social security programme works as the bedrock for success. Like of China’s institutional framework exerting two-sided performance pressure, Pakistan should also go for such institutional structure. Although in 7th National Finance Commission (NFC) award 10.3% portion was allocated on the basis of poverty, it is not enough. In next NFC award, amendment must be made to replace the poverty head-count in divisible pool with poverty reduction. It is because the funds allocation on the basis of poverty doesn’t give any incentive to take steps to purge poverty.

6.5. Strengthening Local Government Institutions

Local government institutions are weak in Pakistan as every government wanted to keep all the decision-making power with itself. Non-deregulated local government institutions hinder in decontrolling power to town level. As new government in Pakistan has intentions to work for strong local government, so it’ll eventually help in pursuing developmental projects and will involve people at grass roots level. Local governments are accountable to masses, as representatives are elected by the general public and from upper hierarchy in the government.

Amalgamation of bottom-up and top-down approach will help in improving the services delivery and targeting the poor.

6.6. Go for Multi-targeting Projects

The new government intends to implement projects like five million affordable houses and plantation of 10 billion trees nationwide. The inclusion of people, those are unemployed and live below the poverty line, will help in providing affordable living to everyone. In this regard, Chinese and Indian model of food-for-work and employment-for-living are pre-eminent to learn lessons. Micro-financing has also positive impact in alleviating poverty from Pakistan, so more groups must be targeted to get more effective results (Noreen 2011).

Hence multi-dimensional programmes are needed to curb multi-dimensional poverty in Pakistan.

7. Conclusion

Poverty alleviation is the long-awaited programme in Pakistan at multi-dimensional front. Although BISP and other programmes helped in curbing poverty, more concentrated and targeted policies are needed to eradicate poverty. Effectiveness of institutional framework has to be changed with regard to local government and restraining unemployment. China’s model for food/job-for-work should be imitated after incorporating changes with regard to domestic environment.

Poverty rate is still high in Pakistan for which policy makers must act on an immediate basis. Defies to encounter malnutrition, unemployment and deteriorating human capital can be shunned by adopting effective and timely policies to alleviate poverty in Pakistan. Poverty in Pakistan is multi-dimensional as people are adversely affected by drought, lack of clean water, large-scale unemployment and non-availability of health facilities. Multi-dimensional poverty is a big
challenge. By following the foot-steps of China, innovative methods must be adopted to get rid of severe poverty and to pull the poor out of poverty trap.

Pakistan can restrain the level of poverty by espousing tailor-made policies for the poor segments. Local governments must take responsibility to deal with poverty. The local and central government departments concerned has to work simultaneously and collaborate with each other to get significant results. That’s why, multi-dimensional targeting should be carried out to curb multi-dimensional poverty in Pakistan.

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