Research Paper

Poverty reduction model of China: Lessons for Nigeria

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ABSTRACT

This study examines the poverty reduction model of China, for the purpose of gleaning lessons that Nigeria can learn from. Also the study gives recommendations based on what was learnt on China’s poverty reduction efforts. The story of how China pulled over 850 million people out of poverty in four decades presents the model that any country daring the same challenge can learn from. For what has been tagged as ‘the poverty alleviation campaign in history’, China’s poverty alleviation strategy is an overall success. The story is a remarkable one of implementing the right policies at the right time and in the right place while the country capitalises on the rise of globalization. The study is based on extensive literature review of China’s poverty reduction measures. The study however reveals the great China’s effort in terms of policy measures in reducing poverty. Firstly, there seems to be unalloyed leadership support and determination in China’s poverty reduction efforts. China has also recorded huge successes by setting clear and measurable poverty reduction goals. Also, creation of household registration system as well as the implementation of targeted poverty alleviation strategy has gone a long way in helping China to succeed in poverty reduction efforts. Conclusions are thus made and recommendations given on how Nigeria could equally tackle poverty and set the country on the path of growth, prosperity, development and advancements.

Key words: Poverty, poverty alleviation, poverty reduction, economic reform, poverty eradication.

INTRODUCTION

The story of how China pulled over 850 million people out of poverty in four decades presents the model that any country daring the same challenge can learn from. For what has been tagged as ‘the poverty alleviation campaign in history’, China’s poverty alleviation strategy is an overall success. The China’s transformation and reform has been said to be a ‘great story in human history’ because it underlines great lessons to be learned (Kim, 2017). As Huang and Lahiri (2017) would argue that the story of how China lifted million of its people out of poverty is a remarkable story of implementing the right policies at the right time and in the right place while the country capitalises on the rise of globalization. Having about 90% of its people trapped in abject poverty in 1970 and gradually reduced to 88% in 1981, and greatly fell to 10.2% in 2012, and by 2017, the number of people living in abject poverty in China had fallen to 3.1% indicating marked reduction in the number of poverty-stricken Chinese to 30.46 million at the time (Weiping, 2018). This is a great feat for a country that has the highest population in the world. The population of China as at 2017 was 1.386 billion people. President Xi Jinping, not long after he assumed office in 2013 for the first term of 5 years, made poverty alleviation a major policy goal of his governance. During his first term in office, President Xi Jinping doggedly pursued the poverty alleviation policy goal, and the outcome had been a marked reduction in the level of poverty in the country. Before then, in 1978, China’s leader Deng Xiaoping kick-
started the reforms campaign christened National Economic Development Programme which was focused on improving the country’s gloomy agricultural growth. Deng pulled down communism and opened up industries that were hitherto closed for international businesses. This increased competition and improved product quality and standards. Similarly in the same periods, there were renewed efforts by the Chinese governments to build infrastructures such as dams, irrigation projects, and highways towards improving agricultural produce (Huang, and Lahiri, 2017). Thus, between 1994 and 2000, about 42,000 km of road networks were constructed. Also about 1200 km of road networks built in a day within a year. There have been reports from different quarters that China is particularly effective in infrastructure delivery (Newman, 2011; McKinsey, 2013). Between 1984 and 2008, there were 95 transport projects executed in China, worth 52 billion USD (Ansar et al., 2016). In addition to this, housed to a large pool of educated and low-wage workers, China attracted foreign investments in factories, which consequently created millions of jobs. This millions of job opportunities created in the factories led to the China's GDP per capital which escalated from being less than $200 (thisis about the same as Bangladeshi GDP per capital at that time) to more than $8000 in 2017 (Huang, and Lahiri, 2017). This per capital income value still remains in the same level with that of the developing countries and less than one-quarter of the average OECD countries (World Bank, 2019). China's GDP growth has averaged 10% a year for more than three decades, what many analysts would call a sustained expansion by a major economy in history (World Bank, 2019). According to Sangui et al. (2004), official statistics indicate that the China’s real GDP grew at an average of 9.4% a year in 1979-2003, and exceeded 10% in the first halves of the 1980s and 1990s. So majorly, China’s real GDP growth rate has been hovering of about 9 to 10%. Applying Rule 72 (this rule entails dividing 72 by the annual GDP growth rate to determine when an economy will double), this may mean that China has been able to double its economy in every seven year since 1970’s. This was said to have made a huge impact on the China's poverty eradication efforts. Sangui et al. (2004) argued that China’s large scale poverty reduction goal has been realized as a result of its rapid economic growth.

Ultimately, China’s poverty alleviation efforts have enjoyed political support from the governments since the days of Deng Xiaoping (Diallo, 2019). President Xi Jinping has unequivocally assumed the same role by making poverty alleviation his foremost priority. United Nations met its goal of halving world poverty by 2015, thanks to China who lifted more than 500 million of its people out of poverty within the same period (Allison, 2018). China is not done in the fight against poverty yet, as it aims to eliminate absolute abject poverty by 2020 as part of the creation of a moderately prosperous society.

While the Chinese poverty index has been better over the years, the poverty rate in Nigeria has actually increased during the same periods. If the poverty rate in Nigeria has been increasing while that of China has drastically reduced within the same period, there must be something Nigeria is not getting and that it is not doing right. Hence, the need for this study. Part of the 2030 Agenda for Sustainable Development goal was to reduce poverty globally, which demonstrates the commitment and determination of the international community as well as developing economies in jointly eradicating poverty and achieving common development (Weiping, 2018). Being the home to the highest number of extremely poor people, the position she has recently assumed in the beginning of 2019, Nigeria cannot afford to stand on the sideline in seeing to the fulfilment of this laudable goal. Nigeria, from henceforth must attach great importance to the poverty reduction and eradication drive. Thus, this study investigates how poverty reduction has been achieved in China and the lessons that Nigeria can learn from it. This study specifically traces the history of poverty reduction measures of China. The study also aims to give recommendations on how Nigeria can achieve the same results as China in accordance to the lesson that can be learnt from the story.

CONCEPT OF POVERTY

Ucha (2010) saw poverty as a multi-dimensional phenomenon because it manifests itself in different and several ways. The World Development Report (2001) identified the various dimensions of poverty as a lack of opportunity, empowerment and security. Poverty closes the windows of opportunities to the poor people, hence they remain practically inactive without being able to achieve any goal set for themselves (Ucha, 2010). United States Statement (1998) concerning poverty defined poverty “as a denial of choices and opportunities, a violation of human dignity. The statement further argued that poverty indicates lack of basic capacity to participate actively in the society as well as not having enough to feed and clothe a family; not having a school or clinic to go to; not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit. Poverty means insecurity, powerlessness and exclusion of individuals, households and communities. Poverty also means susceptibility to violence, and living on marginal or fragile environments, without access to clean water or sanitation.” According to Mokomane (2012), there are evidences pointing to the fact that poverty is predominant amongst certain groups of people and types of households and families. For instance, poverty is predominant amongst the single parents households, particularly those headed by women; migrant families; families living in rural areas or urban slums; as well as households affected by HIV and AIDS. Also significant to mention is that poverty is more predominant amongst children, older persons, and people
living with disability (Mokomane, 2012). In China, three types of poverty have been identified and the government’s efforts in arresting these poverty categories are shown in Figure 1.

**Brief history of China’s economic reforms**

In 1950, China was a typical poor agrarian economy (Pei, 2018). It was a country trapped in what is referred to as Malthusian population trap, defined as an economy whose growth in the level of income per head is lower than the population growth. At the time, its primary (which is the agricultural sector), secondary (which is the heavy industry) and the tertiary sectors (which is the light industry) produced 51, 20.9 and 28.2% of GDP, respectively (Pei, 2018). The agricultural sector was the driving force behind the China’s remarkable success story against poverty. As pointed out by China-DAC Study Group (2018), agriculture’s contribution to poverty reduction in China has been three times higher than that of any other sectors. In the early 50’s, China adopted a Stalinist development strategy whereby it raised its investment rate by investing heavily in state-owned heavy industry. This, she achieved by transferring farm surplus into investment in heavy industry. This later resulted into dual economy which include the heavy industry and agricultural sector with its enormous labor force. Fast forward to the 80’s, there was a rise in the purchasing price of farm produce by the state which then caused the flow of farm surplus from the state to the peasants. This, however, triggered the flow of capital and investment goods to the surplus labour, prompting rapid rural industrialization. Thus, it was as a result of this reverse flow of farm surplus that sprang the China’s economic take-off. This rural industrialization was also made possible by expanding the labor-intensive light industry and service sector thereby moving investment goods from heavy industry and the surplus labor from agriculture to the vacuum of light industry and service sector (Pei, 2018). Hence, the first reform of the Chinese Communist Party was to raise the state-purchasing price of farm products, although the food price of the urban consumers did not rise accordingly because subsidies were paid to the state grain trading system as they were directed by the state to buy dear and sell cheap. The whole essence of the policy was to stabilize urban food prices when state-purchasing prices of farm goods were rising (Pei, 2018). This is to create a market for the farmers to earn stable income since the majority of these peasants are poor. As Pei (2018) would suggest that the rise in prices of farm goods raises rural net income per head. This transformation provided the basis for China’s dramatic economic transformation that continued for more than 30 years. In addition to this, another policy implemented by the Chinese government at the time was the Household Contract Responsibility System where families were allocated informal leases for small plots of communally held land (China-DAC Study Group, 2018). This policy laid the foundation for the expansion of market economy, and from the mid-1990’s, agricultural sector was liberalized. This led to the discontinuation of state-control grain markets system and consequently resulted into the absorption of surplus farm labour by the labor-intensive manufacturing sector.

**Four-pronged comprehensive strategy**

In their attempts to reduce poverty and set the country on the part of growth, Chinese government adopted a strategy christened ‘Four-Pronged Comprehensive Strategy’ - a critical strategic step to reduce poverty and put the country on the part of development, growth and advancement. These steps are examined hereafter.

**Set clear poverty reduction goals**

China set measurable and achievable goals towards the achievement of Sustainable Development Goals (SDG) as set out by the United Nations Member States. SDG goals are seventeen (17) interconnected goals targeted towards ending poverty, hunger and enthrone good health and wellbeing, quality education, gender equality and so on by 2030. China is a member of United Nations and it is committed towards the achievement of these goals. China aims to solve the challenges of food insecurity and inadequate clothing by 2020 together with securing compulsory education, basic Medicare and adequate and proper housing within the same timeframe (Weiping, 2018). China government also hopes to improve the growth rate of farmers’ income in poor-stricken areas more than the national average to stimulate food security and to put the agricultural sector on the growth trajectory. The government also aims to make basic public services available in the rural area to arrest the recurring incidents of rural-urban exodus of the Chinese people who are seeking for greener pastures in the urban cities thereby resolving the incident of congestion and overpopulation that can overstretch the available resources and amenities in the cities.

**Creation of database system of poor people**

This database system was meant to register the poverty-stricken Chinese population in ensuring that the government has the data on the population of poor people in China. This provided data on the extent of the level of poverty in China in relation to individuals, households and villages, and through which governments will be able to track every individual, household or village that are poor.
Ever since the creation of the register up until 2014, it has been able to store the records of 128 thousand villages, 290 thousand households and 90 million poor people (Weiping, 2018). One of the benefits of this system is that it has helped the country to restrict the size of its population and inhibit population mobility due to the possibility of missing some benefits as a Chinese man moves from the village to the city. China’s database registration, also known as household registration system (known as hukou in local parlance) posed a few challenges, one of which is that it prevents rural and urban migrants from accessing the same level of social benefits and education as people with local hukou status (Riskin, 2004).

**Implementation of the targeted poverty alleviation strategy**

This strategy is divided into five batches including industrial development, relocation, eco-compensation, education and social security.

**Developing industries:** Developing industries such as tourism and e-commerce are targeted towards the villagers in the hope of helping them to secure jobs after occupational training and to create the avenue to sell their farm produce. In the attempt to realize this, Chinese internet giant, Alibaba supported the creation of rural e-commerce centers known as Taobao villages that encourage online sales of farm produce and local specialties. According to Diallo (2019), by 2015, 780 Taobao villages were able to cater for over 200,000 active online shop owners and had collectively employed over one million people.

**Emphasize basic education for children:** There is an emphasis in China on making sure children get a basic education or occupational training to prevent poverty passing down the generations.

**Eco-compensation:** This seeks to compensate land users or suppliers of ecosystem services for lost income or land use rights due to environmental protection policies. According to Busch (2016), the origin of eco-compensation can be traced to 1998 in the aftermath of Yangtze River floods that killed thousands of people and left millions homeless. In consequence of this, the Chinese government came to the realization of the importance of maintaining upstream forests for flood protection and thus introduced payments to land owners who protected or restored forest (Busch, 2016). Ever since this policy was enacted, the Chinese government had paid more than $150 billion as eco-compensation to the people concerned.

**Cash transfer:** Woolard and Leibrandt (2010) observed that cash transfer programmes have the capacity to provide a predictable and reliable source of income to households which can significantly affect their capacities to invest in human and physical capital. There are basically two types of cash transfer including conditional and unconditional cash transfers.

**Conditional cash transfer:** These are transfers tied to some certain conditions. According to Mokomane (2012), CCTs have the primary objective of providing short-term poverty alleviation support, and at the same time help to maintain consumption and stimulating and/or enhancing investments in long-term human capital development. CCTs
are achieved by linking the transfers to the demand side of service delivery and on the conditions that some certain requirements are met (Mokomane, 2012). Such requirements may include the conditions that children enroll in school, attend school on regular basis and that children and their mothers attend regular check-ups in order to receive such services as immunizations and other medical services (Adato and Hoddinott, 2007; Slater, 2011). The impact of CCTs on the countries that have adopted the scheme has been huge. The impacts have led to the reduction in primary school desertion and a marked increase in the secondary school registration. Also the dropout rate has reduced tremendously and at the same time, it has increased the completion rate by a substantial percentage. The programme has also led to the immediate alleviation of poverty and has helped in breaking intergenerational cycle of poverty in many families, and also has helped to improve social cohesion by strengthening the family unit (Mokomane, 2012). In conclusion, it should be noted that cash transfers are not sufficient if they are not complemented by access to social services. Such social services include the provision of healthcare, education, water, and sanitation. For example, providing only social services such as free education, or free health care, may mean that the beneficiaries may not be able to afford or meet other educated related costs such as transport, books, meals and uniforms as well as the opportunity cost of lost income from child labour. It is, therefore, on the basis of this foregoing example that cash transfers should be provided along with social services.

Unconditional cash transfer: Also known as social pension, unconditional cash transfers, however, are effective entitlements awarded to certain groups of qualified individuals either in cash or kind and are funded completely by public revenues or specific taxes (Mokomane, 2012). These groups of individuals are either those who are unable to work and are not covered by similar or related social schemes. These categories of people include people with disabilities, orphans, those who are chronically ill, older individuals with no family support or assistance, and other susceptible individuals such as children and women (Devereux, 2006).

In china, cash transfer ensures that the elderly and infirm are constantly being taken care of, by giving them access to social security assistance. Under this programme, the Chinese government attempted to provide low cost housing to the poor. Also included in this arrangement, is the provision of free or low-cost medical insurance as well as provision of subsidies to families undergoing severe illnesses (Suleri et al., n. d.).

Rural relocation system: This system has been rumored to be the most important strategies of the poverty alleviation policies of the Chinese government because it encourages the relocation of elements of rural population who live in remote or ecologically fragile regions to areas closer to the cities (Diallo, 2019). China expects to move 9.81 million people under this arrangement between 2016 and 2020. Relocation system has many benefits, one of which is that it leads to improved income for those that relocate. Li et al. (2019) showed in their study that relocation households have higher net incomes than non-relocation households. However, effective this strategy seems to be, it has been trailed with many challenges. Part of the challenges faced by the Chinese government is the fact that the relocated residents are forced to abandon their lands in exchange for relatively scarce compensation, with many of these residents ended up moving back to their villages because of the difficulties of finding suitable employment in the cities, and also due to the high standards of living in the cities, of which many of these villagers could not afford (Diallo, 2019).

Establishment of seven institutional systems

These institutional systems include accountability/registration system, policy system, investment system, assistance system, social mobilization system, multi-channel, all around supervision system and assessment system (Weiping, 2018; Diallo, 2019).

China’s paired-assistance policy

According to Wei (2015), paired-assistance policy is a specific Chinese policy model whereby developed provinces and cities are made to provide economic support such as finance, skilled workers, and projects to less developed areas to which they are paired. The policy is employed to bring new industries, capital and cadres to relatively less developed regions as well as to bring down barriers to unfettered mobility of commodities, staff, and capital to relatively less developed regions (Song et al., 2019). The pairing-up strategy allows officials in the east to be paired with impoverished households in the west thereby allowing them to receive assistance from these officials (Diallo, 2019). This system also pairs impoverished households with developed households where they can receive help and materials assistance. Zhang and Tao (2018) argued that paired-assistance policy assigns an economically prosperous province to a seriously affected county by providing assistance and ultimately facilitates recovery. This support is categorized into three: support in border areas such as Tibet and Xinjiang; support in essential projects; as well as supports in regions seriously affected by natural disasters such as those affected by earthquakes or hurricanes. There has been fruitful results on the pairing-up policy, however there has been difficulties in assessing the effectiveness of this policy (Song et al., 2019). All in all, the policy has made a remarkable contributions in helping to develop the less developed regions including Tibet and
Challenges faced by China in poverty eradication effort

One of the notable challenges faced and are still being faced by China in their poverty eradication effort is the issue bother on corruption and graft. There have been accusations upon counter accusations of how some poverty alleviation officials have mismanaged funds or have engaged in outright diversion of funds meant for the programme. In the past five years, more than 60,000 cases of corruption and misconduct in poverty relief efforts were reported in China (Diallo, 2019). However, the criminal system and the anti-corruption apparatus in China have been up and doing in making sure that these corruption cases are reduced and the money lost to corruption is recouped. According to Diallo (2019), in 2018 alone, China Supreme Anti-graft agency, the Central Commission of Discipline Inspection (CCDI) recouped $112.20 million USD in misappropriated poverty alleviation funds.

LESSONS AND RECOMMENDATIONS IN THE FIGHT AGAINST POVERTY IN NIGERIA

The major factor regarding the success recorded by the Chinese government in defeating the poverty scourge, is the successive leadership determination and resolve to support the poverty eradication struggles at every democratic cycle. Arguably almost all the Chinese leaders, starting from Deng Xiaoping who pioneered the popular Chinese reforms, to the present leader, President Xi Jinping, who is currently fighting the scourge headlong, have all given total and unalloyed support and determination in fighting the poverty scourge. Campos et al. (2018) showed that a fundamental pre-condition for ending extreme poverty is countries’ commitment. It further revealed that a shared commitment throughout society is needed to combat the root causes of extreme poverty. Effective political leadership is a key factor in successful poverty reduction strategies (Campos et al., 2018). In Nigeria, there is no visible indication that the leadership hierarchy is serious about fighting the poverty scourge. All that is done is making a rhetoric and paying a lip service to the need to eradicate poverty. There is no visible determination from the leadership circles and no sincere actions taken by the Nigerian leaders to create the path of prosperity for the Nigerian citizens. No wonder the poverty index keeps worsening every day in Nigeria. Nigeria is currently housing the largest number of poor people in the world, thanks to the Nigerian leaders and their cronies who have remained adamant in creating policies to address the issues of poverty and want amongst its citizenry once and for all.

Nigeria must have a database system where the records of all poverty-stricken individuals, households and villages are kept. This will enable the government to direct its poverty alleviation policies to these individuals, households and villages at any convenient time and with a planned amount of funds. It will also enable the government to track a particular individual, household or village towards addressing their needs per time. Lack of records of poor individuals, households and villages will make the government’s efforts fruitless in fighting this scourge.

Since the majority of the poor people are living in the rural areas, pro-poor economic growth and income generating opportunities should be stimulated and targeted to these people (Campos et al., 2018). While agriculture is the main source of income of these people, governments should ensure that proper assistance, in the form of training, provision of farm equipment and provision of high-yield seeds should be made available to them. Also important is diversification strategy to accommodate those who cannot specialise in agriculture. Diversification strategy may include promotion of off-farm activities such as food processing and packaging especially in those rural areas that are more favourable. Diversification strategy can also include promoting activities that are outside of food system such as environmental services (Campos et al., 2018). China was able to promote off-farm employment through development of village and town-level enterprises, via such initiatives as the Township and Village Enterprises scheme and the STAR programme (China-DAC Study Group, 2018).

One of the things that China has done well in their attempt to eradicate poverty is their resolve to allocate huge amount of financial resources to the scheme. To achieve the objectives set out in their 2016-2020 poverty alleviation plan, the Chinese government earmarked a substantial sum of about 91 billion RMB (13 billion USD) for fighting poverty in 2019 alone. This is apart from 400 billion RMD (about 51 billion euro) pledged by the Chinese Development Bank to support the scheme (Diallo, 2019). In fighting poverty in Nigeria, however, the same strategy must be adopted. All available avenues (sources of finance) must be explored in order to gather enough funds to be allocated to the scheme. In Nigeria, through access to enormous financial resources, it will be possible and easier for the governments to invest in social assistance programme to benefit the poor people. Under the social investment programme in Nigeria, there are some schemes including Government Enterprise and Empowerment Programme (under this programme, there are Tradermoni, Marketmoni and Farmermoni) directed at the petty traders, market women and small holding farmers; Conditional Cash Transfers (CCTs), directed at the unemployed youths, elderly people; as well as the school feeding programme, which is directed at the pupils of government primary schools in rural areas. These programmes consumed huge financial resources and can only be sustained if governments have broader access to finance.

Another important strategy in ending poverty in Nigeria...
is by setting up dedicated intervention to reach the poor people. In recent time, global economic meltdown together with conflicts have made it increasingly difficult to reach these groups of people. However, by setting up such dedicated interventions, it becomes easier to reach out to these groups of individuals. China has recorded huge success in this area by implementing more dedicated and integrated interventions which made it possible not only to reach but also to address the needs of these individuals (Campos et al., 2018). Paired-assistance policy discussed above is an example of dedicated intervention set up by the Chinese government to reach the poor people.

Also important factor in the drive to end poverty in Nigeria, is the need to massively invest in infrastructure especially in the rural areas. Fan and Zhang (2004) argued in their study that investing in rural infrastructure is key to increase an overall income of the rural population, positing that the lower productivity in some countries can be explained by their lower level of rural infrastructure including investment in education and science and technology. China, in their 30 years of economic reform placed high priority in infrastructure development. China invested massively on road and rail transportations between 1984 and 2008 to the tune of 56 billion USD (Ansar et al., 2016). Quality and extensive networks of road as well as rail transportation must be built to connect the rural areas to the cities for smooth and easy transportation of the agricultural produce and people. Nigeria has huge infrastructural deficit running to $14.2 billion that is meant to be spent yearly for the next ten years (World Bank, 2014; Okonjo, 2019) with the most being in the power sector and transportation sector (including rail and road transportation network).

The issue of corruption must be brought to the minimum if it cannot be totally eradicated. Corruption may likely create a challenge to the poverty eradication effort. Corruption will make anti-corruption goals difficult to achieve. It is the belief of the World Bank Group (2018) that corruption poses a major challenge to the achievement of Sustainable Development Goals set by the United Nations. World Bank Group (2018) further revealed that corruption negatively affect the poor the most, through increase in costs and reducing access to basic services, such as health, education and justice. Some researchers have even shown a significant relationship between corruption and inflation (Özsahin and Üçler, 2017).

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