

Poverty Alleviation North & South of the Himalayas



WHY HAS CHINA ALLEVIATED
MORE POVERTY THAN INDIA?



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Agenda

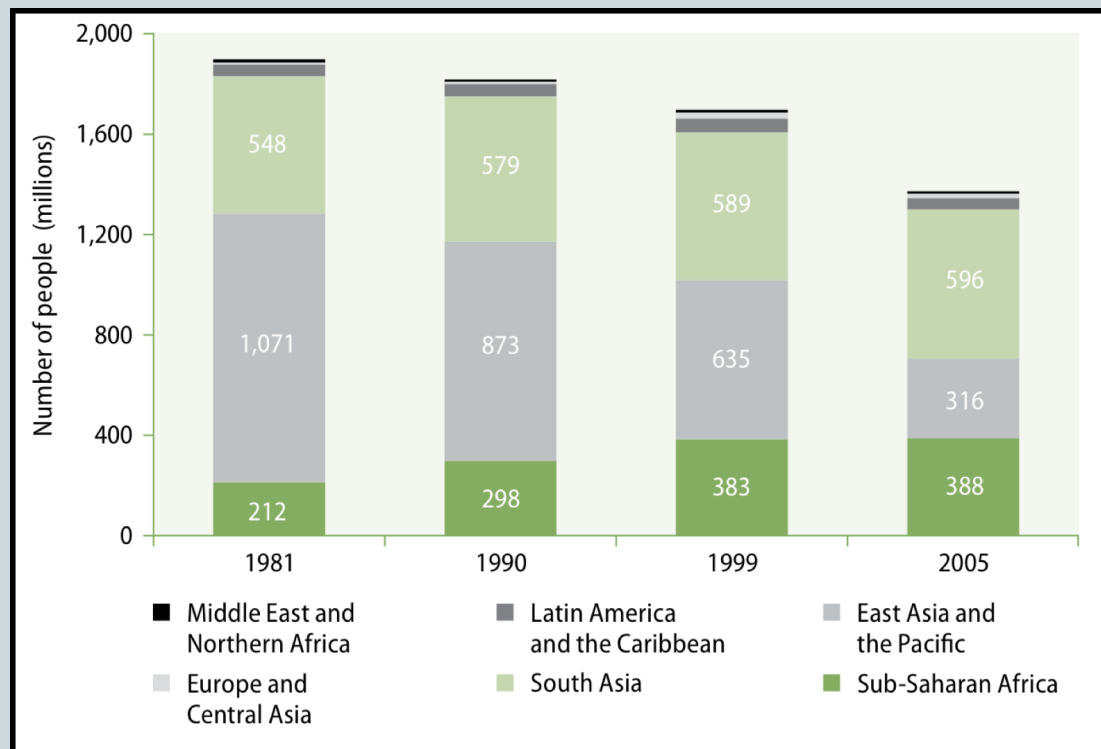


1. The issue
2. My argument
3. Case Studies: Unsuccessful Cases
4. Case Studies: Success Stories
5. Implications
6. Lessons for India?

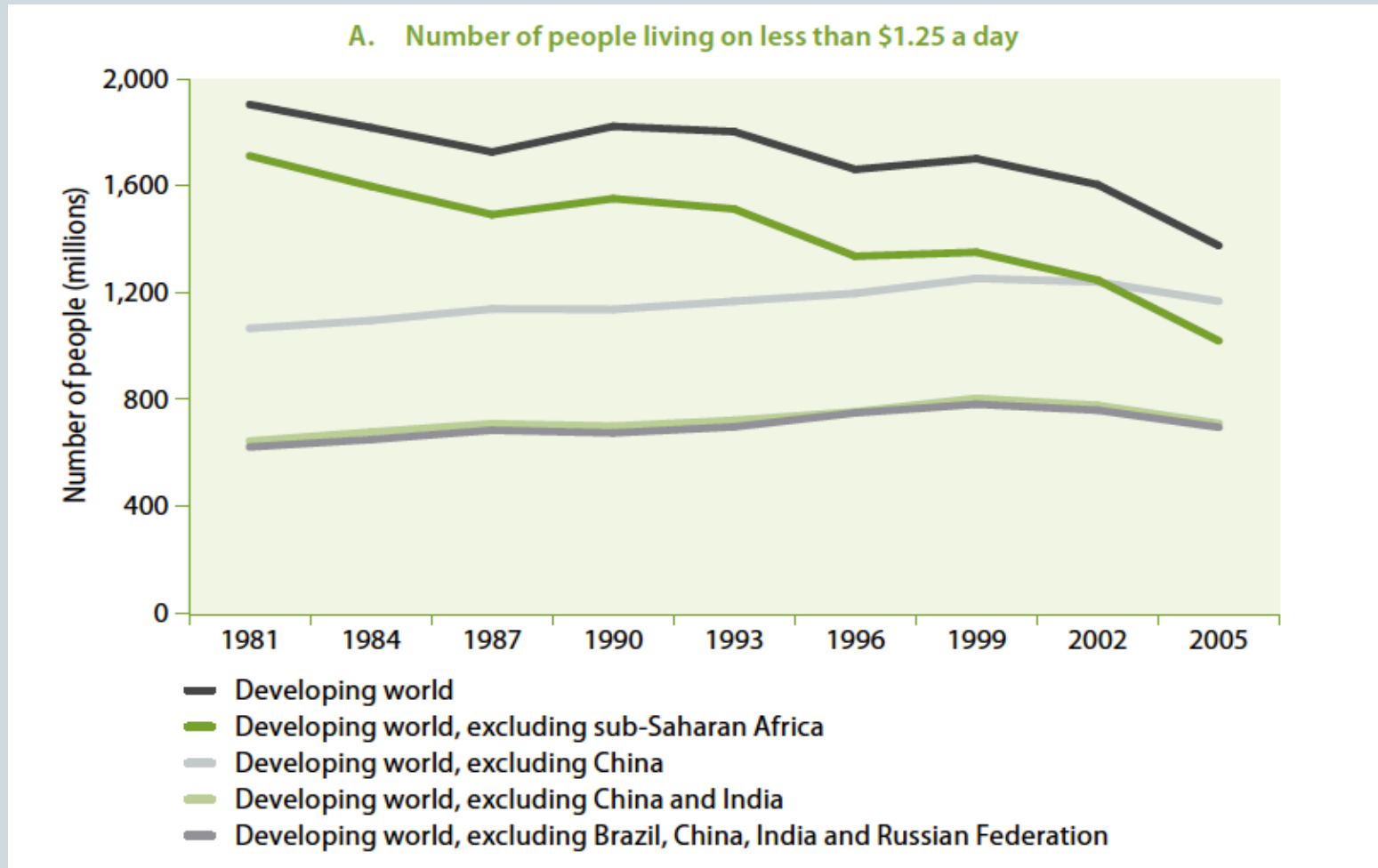
The Issue



- China & India are the largest economies today, however despite economic growth, still face the issue of poverty.

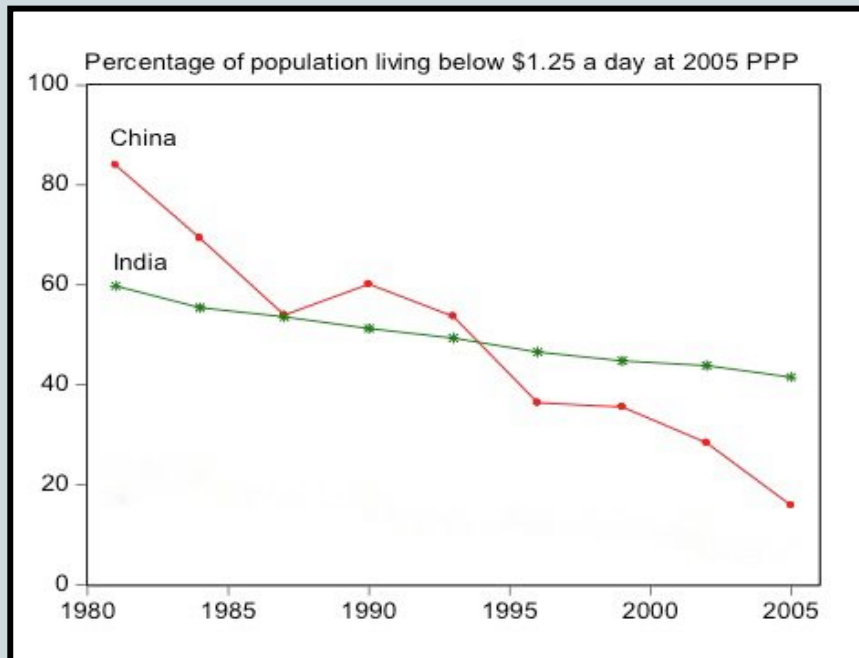


World developing country average of poverty, 2009 → 25%



Poverty in China & India

- 2009 World Bank estimates show that 13% people in China and 37% people in India, live below the poverty line.



	<i>India</i>	<i>China</i>
<i>Population (2009)</i>	1.15 bil.	1.33 bil
<i>GDP (2009, US\$)</i>	1,8910 bil.	4,985 bil.
<i>GDP Avg. Growth Rate (1990-2008)</i>	6.3%	10.2%
<i>GDP Projected Avg. Growth Rate 2011-14, as of 2009</i>	7.6%	10.3%
<i>HDI % change (1990-2010, for Brazil only 2000-2010)</i>	33.3%	44.2%

Argument



- Decentralization reforms have been introduced in states with all varieties of political regimes.
- **Hypothesis:** the level and type of decentralization has a significant impact on the success of policies for poverty alleviation because:
 1. It allows the creation of needs assessment mechanisms.
 2. It fosters accountability and responsiveness of government officials.

	China	India
	Vertical Decentralization: Mean number of tiers in Asia: 3.7	
Decentralization ¹⁷	<i>Levels: 3; province, county, municipality</i> <i>Types: Administrative, Fiscal</i>	<i>Levels: 5; centre, state and 3 tiers of local government</i> <i>Types: Political, Administrative, Fiscal</i>
GDP Growth Rate (%)	10.2	6.3
HDI Rank	0.718	0.595
Poverty Level	13	37

Case Study - China



Case Selection - India



Case Studies – Unsuccessful Cases



Yunnan

- 16 prefectures; 15% poverty (2009).
- Slow decision making process.
- Decentralization exists → administrative and fiscal decentralization.
- Specific targets set: agriculture, rural infrastructure, education, health, institutional reform, capacity building
- System of checks and balances maintained.

Bihar

- 38 districts; 41% poverty (2009).
- Corrupt government → decentralization transformed to centralized rule.
- Low accountability and responsiveness to people, central govt.
- Inefficiency, lack of formal institutions.
- Poverty alleviation: extremely slow process.

Case Studies – Success Stories



Sichuan

- 21 prefectures; 4.2% poverty (2009).
- Heavily industrialized, high human development.
- Political decentralization: stimulates local policy experiments and restrains predatory central intervention.
- Fiscal decentralization: motivates local officials to promote development and harden enterprises' budget constraints.

Kerala

- 14 districts; 7.5% poverty (2009).
- One of the first Indian states to decentralize.
- Visionary government translates plans into actions.
- Strategies:
 1. Legal entitlements of local governments.
 2. Transfer of financial resources.
 3. Operationalized decentralization participatory planning.

Implications



- **India:** decentralization in name; government inefficiency; vision doesn't translate into action.
- Political, administrative and fiscal decentralization.
- Leaders only care about their votes → no accountability towards people or central govt.
- Goals to eradicate poverty set at the state level.
- Centre does not maintain checks and balances
- **China:** administrative and fiscal decentralization.
- Leaders most accountable to central govt.; smaller units → also accountable to people.
- CCP sets targets; responsibility on regional leaders to deliver.

Lessons for India?



“Fundamentally, poverty reduction is about bringing growth processes to poor areas.” – Representative, South Asia, *The Mountain Institute*, India, December 21, 2010

“Good Governance is perhaps the single most important factor in eradicating poverty and achieving development.” – Ms. Yan Peng, *China Representative, CAI Asia Center*, Beijing, January 6, 2011

- Build state capacity for efficient decentralization
- Stronger system of checks and balances (by central govt.) to ensure that decentralization is in fact working.
- Increase fiscal decentralization and make administrative decentralization more efficient.