



Short Article

Microfinance: From Bleeding to Transfusion

The role of microfinance has gained strong acceptance as an effective tool for poverty reduction. A way out of poverty commonly advocated is for the Poor in developing countries to improve their living standards becoming micro-entrepreneurs through small loans/credit provision or through mobilizing their savings (UN, 2005). In both cases access to financial services can increase their opportunities to generate more regular income, as witnessed in numerous experiences in the region, namely Bank Rakyat Indonesia (BRI) in Indonesia, Society for Helping and Awakening Rural Poor through Education (SHARE) and Self-Employed Women Association in India, and Grameen Bank in Bangladesh, among others.

The upper/middle bias in loans and credit

Proponents say that the provision of credit is required to generate economic growth among the Poor. However, opponents claim that even though the primary process by which financial services are envisaged as reducing poverty through the provision of income-generating loans, assessing income changes is not an easy task. The starting point is to see the degree to which the Poor can access the loans. Some studies found that income-generating credit is not "scale neutral", but has different utilities and effects for different groups of poor people. This is an important finding as it indicates that: (i) credit schemes are most likely to benefit the incomes of the "middle" and "upper" poor, (ii) the poorest receive few direct benefits from income-generating credit initiatives, (iii) institutions seeking to provide income-generating credit to the Poor, while pursuing their own financial viability, will have a tendency to concentrate on the "upper" and "middle" poor.

Hulme and Mosley (1996) confirm that even though there is emerging consensus that well-designed credit schemes can raise the incomes of significant numbers of poor people, it raises another question of whether the poorest can benefit from the credit scheme or is it only a way to bleed cash from the rural poor. There are trade-offs between the goals of poverty alleviation and institutional performance, and credit has different impacts on different groups within "the Poor".

Savings: an alternative

Throughout the world and across many cultures and income groups, people save for various purposes, including emergencies, investment, consumption, social obligations, education of children, pilgrimage, sickness, disability and retirement. Extensive household savings have been reported in developing countries around the world for at least three decades. A United Nations study showed that household savings made up one-half to

two-thirds of total savings in seven Asian countries (UN, 2005). During the 1970's and 1980's, substantial household savings were reported in rural areas of developing countries worldwide. Rural savings of various kinds were widely documented from many areas of Asia, Africa and Latin America (Robinson, 2005).

For an increasing number of poor people, micro enterprises are a source of income and employment when no other alternatives are available. In rural settings, most families combine micro-enterprise activity with farming, and many depend on it as the main source of family income. Nowadays, it is common to see and it is starting to receive recognition that savings services are found to be as important as credit allocation in meeting the financial needs of poor entrepreneurs.

Saving is an essential and widely used component of finances of poor households. When there is no institution available, poor people tend to save in other than monetary forms, such as in small livestock or jewellery. However, if they can determine that their assets are securely held, will maintain value, are relatively liquid, and are in a convenient location, poor people prefer to save in monetary form, as some of the most successful programmes have demonstrated (Sharma, 2001). Because saving is part of the liquidity strategy of most households, it is likely that more people will demand more saving services than credit. This position discards the previous belief that the Poor do not save or do not demand saving services. It is based on the experience of programmes such as Bank Rakyat Indonesia (BRI), which in the last few years has demonstrated that properly designed saving instruments can elicit overwhelming demand among the poor (Robinson, 2005).

On "Creating Opportunities for the Poor through Innovation", Pakpahan et al. (2005) refer that microfinance is not only needed by the Poor but is also profitable. Low-income rural people make good and profitable financial clients for such monetary transfusion. However, the present situation shows that the fraction of the Poor served by microfinance is still low. As a consequence, more and better understanding of communities which each bank deals with is called for. One of the most critical areas is that the poor communities across regions are not homogenous. Therefore understanding variations of demand for microfinance is crucial ■

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(References available upon request)

Flash **BREAKING**

The WTO Hong Kong Ministerial Meeting: "Grudging"

According to Oxfam, the WTO Hong Kong ministerial meeting was a lost opportunity to make trade fairer for poor people around the world. The little progress in agriculture was more than cancelled out by anti-development texts in services and industrial tariffs. The mood among most developing countries in the final Heads of Delegation meeting was one of grudging acceptance rather than celebration.

Green, D., 2005. What Happened in Hong Kong? Oxfam Briefing Paper, Oxfam International, <http://www.oxfam.org/>, (December 2005).

China on the Run to Rank No. 4 in World Economy

China on Tuesday revised its GDP in 2004 to US\$ 1.93 trillion, which means the country has overtaken Italy to rank 6th in world economy. The gap to catch up with the fourth and fifth economies (France and Britain) is narrowing. Experts estimate that China probably already overtook France and the United Kingdom during 2005. Revised statistics show that China's economic structure is more reasonable and healthy than the previous figures showed.

Xinhua, 2005. China's 2004 GDP Ranks 6th in World Economy, <http://www.chinadaily.com.cn/english/>, (20 December 2005).

Oil Price Hike Threatening Food Supply

When the price of oil is high, almost everything we eat can be converted into fuel for cars. Wheat can be converted into bread or ethanol for service stations. Soybean oil can go on supermarket shelves or can be used as diesel fuel. Under these circumstances, owners of the world's 800 million cars are competing for food resources with the 1.2 billion people living on less than \$1 a day.

Brown, R., 2005. Food and Fuel Compete for Land, Lester Brown Reports, <http://www.peopleandplanet.net/doc>, (27 October 2005).

Millennium Project Report Launched

Secretary-General Kofi Annan launched the Millennium Project Report at the United Nations Headquarters on 17 January 2006. The Project encourages developing countries to adopt development strategies by the end of 2006. To support the MDGs, it also indicates that developed countries should increase their Official Development Assistance from 0.25 per cent of Gross Domestic Product in 2003 to around 0.44 per cent in 2006 and 0.54 per cent in 2015.

UNIS, 2006. United Nations to Launch Practical Plan to Achieve Millennium Development Goals, www.unis.unvienna.org/unis/pressrels/2005/unisinf46.html, (7 January 2006).

Multi-Faceted Inequality

The United Nations Report on the World Social Situation 2005: the Inequality Predicament, sounds the alarm over persistent and deepening inequality worldwide. Inequalities between and within countries have accompanied globalization. These inequalities have had negative consequences in many areas, including employment, job security and wages. Unemployment remains high in many contexts and youth unemployment rates are particularly high. Youths are two to three times more likely than adults to be unemployed and currently make up as much as 47 per cent of the total 186 million people out of work worldwide. Moreover, nearly a quarter of the world's workers do not earn enough to lift themselves and their families above the \$1-per-day poverty threshold. A large majority of the working poor are in informal activities. In many countries wage inequalities, especially between skilled and unskilled workers, have widened since the mid-1980s, with falling real minimum wages and sharp rises in the highest incomes. China and India have seen considerable income growth, but inequalities remain wide. Inequalities in life expectancy have widened dramatically. Gender gaps in access to education have narrowed somewhat, but persist. Indigenous peoples, persons with disabilities, older persons and the youth are typically excluded from decision-making processes that affect their welfare. These groups, which have been discriminated against throughout history, are still frequently denied their basic human rights ■

Based on ILO, 2005. The Inequality Predicament. Report on the World Social Situation 2005, United Nations, <http://www.ilo.org/>, (November 2005).

How Malaysia Recovered from Economic Crisis

Malaysia has made impressive strides in its recovery from the Asian financial crisis eight years ago, with GDP growth reaching an impressive 7.1 per cent in 2004 and expected to consolidate at 5 per cent in 2005. According to a WTO Secretariat report on the trade policies and practices of Malaysia, this is partly due to its openness to trade and investment together with prudent macroeconomic and structural reforms in key areas. The government's adoption of policies and strategies to ensure sustainability of growth have strengthened the Malaysian economy and its resilience to external shocks, although in the medium term it remains vulnerable to the industrial countries' business cycle. Malaysia is focusing on higher value-added exports and encouraging services exports. Developments in the period under review demonstrate the government's commitment to move from an input-driven economy to a knowledge and productivity-driven economy in order to generate sustainable economic growth and maintain competitiveness ■

Based on WTO, 2005. Economy Gains from Openness to Trade and Investment and Prudent Management. Trade Policy Review: Malaysia, Press Release: Press/Tprb/257, <http://www.wto.org/english/tratop>, (6 and 18 January 2006).

Environmental Injustice in South Asia: Deep Rooted

Environmental justice (EJ) is defined as the right of people to a safe, healthy, productive, and sustainable environment, where 'environment' is considered in its totality to include the ecological, physical, social, cultural, political, aesthetic, and economic environments. This means that EJ takes into account the importance of people and their livelihoods as well. Poor people are usually the first to be exposed and affected by environmental deterioration. They are the ones who will drink polluted water, eat contaminated food, live in unsafe or polluted places and turn to unhealthy jobs. Poor people also have less access to health facilities and other resources, which leave them exposed to disease and even death. Their inability to sustain livelihoods due to environmental degradation is a form of injustice. Placed in this context, the quest for environmental justice in South Asia which groups together Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka brings up a long list of instances where environmental injustice is rampant and deep rooted. The scale of and the locations may differ and the forms in which it manifests itself might be slightly different; however, the essence is exactly the same ■

Based on Sharma, Kalpa and Yakupitiyage, Thanushka N., 2005. South Asia's Deep Divide Revisited, <http://www.tveap.org/feat/0507ddr.htm>, (17 January 2006).

Freer Trade Causes Better Health?

A new study conducted by the International Policy Network found that free trade dramatically improves the health of people in many of the world's poorest countries for two main reasons. Firstly, freeing up trade between individuals and countries may lead to increased prosperity and wealth. With wealth, people can improve living conditions, such as sanitation, clean water and clean access to more energy. A lack of these basic necessities is directly responsible for a large proportion of mortality and morbidity in the world's poorest countries. Secondly, trade improves health through making technology transfers easier. Today, all countries trade internationally, with lower-income countries recently seeing their share of global trade increase significantly. As a result, medicines and health technologies that were originally invented in the west are now widely and cheaply available worldwide. However, the results of this study has been questioned by health activists who argue that WTO agreements, such as the General Agreement on Trade and Services, retard development and delay technology transfers ■

Based on Stevens, Philip. 2006. Free Trade for Better Health. International Policy Network, http://www.policynetwork.net/main/press_release.php?pr_id=84, (25 January 2006).

Flash EVENTS



5th Natural Resource Extension Professionals Conference

14 - 17 May, 2006
the Canyons Resort, Park City, UT
Salt Lake City, USA

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28 - 30 May, 2006
GSI Gustav-Stresemann-Institut
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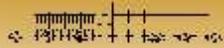
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China Power & Alternative Energy Summit 2006

8 - 9 June, 2006
The Kempinski Hotel, Beijing, China

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Book Review

Science et Conscience de la Pauvreté (Science and Conscience of Poverty)

S. Paugam, *Economie Politique* No. 26. Avril 2005

The sociology of poverty has two dimensions. One is the reporting of poverty life experiences, the other is the representation that society develops about poverty. As far as the second dimension is concerned, a descriptive and quantitative approach, while necessary for comparisons and assessments, cannot suffice. In the dynamics of poverty alleviation, such an approach is unsuitable to reveal the diversity of poverty situations and paths and inadequate to decipher the regard that society has for poverty or the meaning of poverty. Nobody is poor if society has not defined poverty. Each society has its own definition. A merely quantitative approach cannot reflect the differences in feeling poor, for this varies according to country, culture, the general level of wealth, the intensity of social links or existing redistribution patterns.

It is therefore necessary to complement quantitative approaches with an ontological approach to poverty. Paugam reminds us that G. Simmel was the first, in 1907, to raise the issue of defining poverty and proposing a clear answer. The assistance that an individual receives from the collective determines his/her poverty statute, the criterion is its social belonging to a specific strata of the society, a lower value strata since it is defined by its dependence towards all other strata. Being poor means, thus, being unable to take part in a short-dated relation of complementarities and reciprocity.

This image of the poor, however, is specific to each society. As such it nurtures a particularly fertile field of sociological research, the field of the analysis of the assistance and interdependence relations between the Poor and the society where they live. It focuses mainly on identifying the mechanisms that designate the Poor as poor, on searching the social representations from where these mechanisms originate, legitimizing them, then on analyzing the relationships the designated poor establish with the assistance system they depend upon.

The analysis of the forms of poverty consists of combining the analyses of economic factors, social factors, and policy factors. S. Paugam based his research at the European level on such an analytical framework and established the following typology of countries according to the regard they bear on poverty:

 Countries characterized by integrated poverty such as in Southern Europe. This is a configuration where the designated poor are the majority. They are very close to the other strata of

the population. Being many, they are not particularly ostracized. While poverty is lasting and reproducible, it does not go along with social exclusion and social protection is still largely the result of effective family links.

 Countries characterized by marginal poverty, where the Poor are few (Swiss, Germany, Scandinavian countries, France in the 60s-70s). The Poor are perceived as not adapted to the modern world and are often assimilated to asocial behavior. When this group is marginal, it is subject to strong attention from social assistance organizations. Marginal poverty is a disregarded, sometimes disavowed poverty. Strong ostracism may strike this fringe of the population that is subject to assistance. Poverty is treated on an individual rather than a collective basis.

 Countries characterized by disqualifying poverty (United Kingdom, Germany, France). Compared with marginal poverty, in these countries the Poor are more numerous and rejected out of the productive sphere. The disqualifying poverty is not a stabilized state of misery, but a process that can hit fringes of the population that were hitherto perfectly integrated in the employment market. It concerns people confronted with precarious situations in domains such as income, health or participation in social life.

Paugam also underscores the importance of a spatial approach for poverty analysis (the image of ghettos, deep rural areas). In his systematical view, poverty is a plurality of handicaps (economic poverty, social isolation, etc.) and its analysis is inescapable for the definition of public policies for poverty alleviation.

This typology witnesses that poverty is not a universal and standard concept. It takes various forms according to the societies, their history, and their development. Each type of poverty corresponds to a relatively stable state of equilibrium (a social compromise) in the relations between unequal individuals (poor and non poor) within a social system as a whole. This conceptual framework may be particularly relevant and useful for research on poverty and for the conception of public policy tools to fight poverty ■

Reviewed by Jacques Marzin, Head, CIRAD-Tera-Arena Research Unit, Montpellier, France.