



Short Article

Poverty Alleviation and Public Policy

Poverty exists in both developed and developing countries. In most developed countries the question of poverty is still relevant and one should ask why, despite the current welfare systems, many millions of people still live in poverty. In developing countries, however, the extent and depth of poverty is a disgrace. Over 1.1 billion people - 30 per cent of the population - live in absolute poverty, with only one dollar per day or less per person to meet food, shelter and other needs. Moreover, more than 700 million people do not have access to sufficient food to lead healthy, productive lives; millions more live on the edge of hunger; and more than 180 million preschool children are significantly underweight. In the low-income developing countries, the rural poor make up more than 75 per cent.

According to a recent study by the Technical Advisory Committee of the Consultative Group on International Agricultural Research, nearly two-thirds of the rural population of developing countries - almost 1.8 billion people - live in less-favoured areas, including marginal agricultural areas, forest and woodland areas, and arid areas. If we observe carefully areas where poverty is most concentrated, we see that they are areas without irrigation, where upland agriculture dominates and the majority of crops grown are secondary crops. However, secondary crops in these regions receive less attention from the government due to many reasons. Among these, the most widespread, is the conventional wisdom held within policy-making circles that strategies for development in developing countries which emphasize public investment are greatest in favourable areas (for primary crops).

Public policy is whatever governments choose to do or not to do. It is concerned with what governments do or not do, why they do or don't do it, and what difference it makes. Note that the focus is not only on government action, but also on government inaction, that is, what governments choose not to do.

Pro-poor policies in developing countries are a necessary/prerequisite for poverty alleviation. Understanding causes of poverty in a particular region/location is important for governments to then decide on how best to address the causes of poverty. Understanding when and where to implement the policies is also crucial. Governments and their development partners must design and implement policies that can build the capacity of the poor to escape poverty. The range of options includes diversifying the income base, investing in agricultural research and transferring technology to farmers, allowing

markets to function properly, micro-financing, investment in roads and other infrastructure, and promoting the sustainable use of the natural resource base.

Several studies look at how public policy in rural areas is linked to poverty alleviation, combining cases in Indonesia, India and Bangladesh. In Indonesia, one of the ICASERD-Poverty' studies conducted in East Java, Riau and East Nusa Tenggara Provinces shows that even though there have been many policies implemented to reduce poverty in these "poverty pockets", they would have been more successful if poor people had participated in and played an active role in the formulation of (local) policy. Regarding India, Ravallion stated that three out of four of India's poor live in rural areas. Each state has its own characteristics for effective public policy implementation. Punjab and Haryana, for example, benefited from agricultural growth, whereas Kerala benefited more from public and universal education. In Bangladesh, IFAD's programme of microfinance in rural areas shows that credit given to mostly women and landless farmers can significantly improve their social economic status and foster their entrepreneurship. Bangladesh's experience in its public policy scheme serves as an example of how to augment the livelihoods of poor people through providing microfinance in the rural areas.

From these studies and many other studies implemented in developing countries, one can conclude that public policy can have a great impact on poverty alleviation. Negative impacts may also occur if governments chose not to do anything to help the poor (government inaction). One should ask the question whether a government itself created poverty by designing and implementing policies that were not pro-poor oriented, or, according to the definition above, by not doing anything to address poverty.

Secondary crops offer a good opportunity for pro-poor policy options because they are produced by many poor farmers in marginal areas (hilly, dry-upland, remote, etc.), and have a diverse range of uses through the food and feed industries. Secondary crops offer many options for rural income improvement. These options demand action ■

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(References available upon request)

Flash **BREAKING**

The Impact of Irrigation on Poverty

The development of irrigation has direct and indirect net benefits on poverty alleviation. Evidence from comparisons of poverty across irrigated and non-irrigated settings shows that, on average, poverty incidence is over 21 per cent less in irrigated as compared to non-irrigated settings.

Hussain, Intizar, 2005. Pro-poor Intervention Strategies in Irrigated Agriculture in Asia, Poverty in Irrigated Agriculture: Issues, Lessons, Options and Guidelines, International Water Management Institute (IWMI) and Asian Development Bank.

Increasing Use of Biofuels

Petroleum accounts for over 35 per cent of the world's total commercial primary energy consumption, followed by coal (23 per cent) and natural gas (21 per cent). These fossil fuels are the main sources of greenhouse gas emissions, causing global warming, and thus climate change. Biofuel consumption, currently representing around 10 per cent of total energy consumption, is predicted to increase its share. This shift could benefit not only the rural poor but also the whole planet, since biofuels can help mitigate global warming and climate change.

Antonios, 2005. Bioenergy, Key to the Fight against Hunger FAONEWSROOM, <http://www.fao.org/newsroom/en/news/>, (14 April 2005).

Obstacles to Achieving MDGs

There are four overarching reasons why the MDGs are not being achieved. Sometimes the problem is poor governance, marked by corruption, poor economic policy choices, and the denial of human rights. Sometimes the problem is a poverty trap, with local and national economies too poor to make the needed investments. Sometimes progress is made in one part of the country but not in others, so that pockets of poverty persist. Sometimes these factors occur together, making individual problems all the more challenging to resolve.

Millennium Project, 2005. Four Reasons for Shortfalls in Achieving the Goals, <http://www.unmillenniumproject.org/reports/why8.htm>.

Crop Diversification Brings Benefits in Bangladesh

Bangladeshi farmers are rapidly substituting mungbean and potato for rice and jute, their major crops in the past. Low prices for the two traditional crops have forced farmers to seek better paying alternatives. Many farmers are now benefiting from short-cycle, high-value production, which gives them multiple harvests, thereby optimizing land use and increasing potential income throughout the year. This diversification has had two further benefits, namely helping the country to recover from the devastating floods of mid '98 and improving nutrition nationally.

New Agriculturist, 2005. Crop Diversification Benefits Bangladesh, <http://www.new-agri.co.uk/99-1/newsbr.html#diversification>.

The Role of Growth in Reducing Poverty in APC Countries

In 2004, ADB conducted a study to identify the relationship between growth and poverty. Revealing these relationships clarifies the role of growth changes in influencing poverty reduction in Asia, and sets the stage for a discussion of Asia's future prospects for reducing poverty. Using data from 18 Asian and the Pacific countries, some hypotheses were tested. The results of analysis indicate that on average, growth is strongly associated with poverty reduction. In particular, growth of 1 per cent is associated with a 1.5 per cent decline in the incidence of \$1-a-day poverty on average. However, growth is only one factor among others influencing poverty. In statistical terms, growth has explained only 43 per cent of the variation in changes in poverty on average among this set of developing countries. In other words, as much as 57 per cent of the variation in changes in poverty is unexplained by growth among a sample of developing countries from around the world. Interestingly, the relationship between growth and poverty reduction appears much tighter when one examines growth spells in developing Asia. Each 1 per cent of growth is associated with an almost 2 per cent decline in poverty incidence on average. In addition, growth explains 65 per cent of the variation in changes in poverty on average among the developing member countries ■

Based on ADB, 2004. Poverty in Asia: Measurement, Estimates and Prospects, ADB Report 35th edition, <http://www.adb.org>.

Inequality of Land Ownership Increasing the Number of Poor

In Pakistan, increases in farm income further accentuate inequality because of the skewed distribution of land in rural areas in the country as poverty rose from 25 per cent to 39 per cent during the period of 1990-2002. Yet, this same period experienced an increase in the agricultural growth rate of 4.6 per cent (more than double the population growth rate), making nonsense of the policy that puts most emphasis on agricultural productivity for reducing rural poverty. Dr. Sohail Jehangir Malik stated that the benefits of this agricultural growth did not translate into improved welfare for the least well-off segments of rural society. Improvements in productivity can mitigate poverty only through equitable redistribution of land and other assets and focused policies to open new avenues of employment, it was emphasized. Agricultural production in Pakistan is highly erratic; one good year is either preceded or followed by a bad year(s), making it impossible for small farmers to escape poverty after a bad year even when followed by a very good year. Sixty per cent of farming households own no land or own less than one acre ■

Based on Ilyas, Muhammad, 2004. Fair Distribution of Land Key to Poverty Reduction, <http://www.dawn.com/2004/07/28/nat23.htm>, (27 July 2004).

Bangladesh Pursuing MDGs

The Millennium Development Goals: Bangladesh Progress Report, jointly prepared by the UN and the Government of Bangladesh, notes how Bangladesh is steadily keeping on track in meeting the UN Millennium Development Goals. For Bangladesh, the goals include lowering the poverty rate to 29.4 per cent, 100 per cent universal primary education, a reduction of child mortality to 50 per thousand live births, improvement of maternal health to 143 or less fatalities in one hundred thousand natal conditions, and ensuring environmental sustainability by 20 per cent, all by the year 2015. The report found that the pace of poverty reduction, which registered an average of 9.2 per cent during the decade of 1991 to 2000, had picked up since Bangladesh entered the new millennium with a poverty level at 49.8 per cent of the population. In related fields of human development, the report showed that the enrollment rate at primary schools, including those of various denomination, rose to 82.7 per cent in 2003 compared to 73.7 per cent in 1992. The child mortality rate fell to 82 per 1,000 live births compared to 151 in 1990. During the last decade of the second millennium, maternal mortality per hundred thousand births had already come down from 570 to 320. Environmental sustainability went up by 1.2 per cent as the proportion of forest cover of land mass increased from 9 to 10.2 per cent. Not many countries at Bangladesh's level of income can list so many of these achievements ■

Based on Khan, Sadeq, 2005. Social Investment and Poverty Reduction in Bangladesh, Financial Times, <http://www.sarid.net/archives/2005-march/050330-bangladesh.htm>, (26 March 2005).

Viet Nam's Sharp Poverty Reduction Remains Uneven

According to the Ministry of Planning and Investment, in the last few years, the state annually allocated VND 6,000 billion for infrastructure development such as building roads, power stations, schools, healthcare and irrigation works to boost production and raise people's living standards. More than VND 1,600 billion was invested in poverty reduction programme 135 which aimed to help 2,300 poor communities develop the local economy and stabilize people's lives. The Minister of Labour, Invalids and Society reported that by the end of 2004, there remained 1.42 million poor households (8 per cent), down by 0.3 million households compared to 2003. The number of poor households in Viet Nam has fallen annually by 32,000 and will drop to 1.1 million (below 7 per cent) by the end of this year. Despite a sharp reduction in the number of poor households, poverty reduction rates are uneven across the country. The number of poor households in the north-west, north-central and central highlands regions remains 1.7-2 fold higher than the average rate. More than 90 per cent of poor households live in rural areas, with ethnic minority groups registering a high rate. Regarding Viet Nam's poverty reduction activities, a senior expert says the number of households falling back into poverty is also high due to natural disasters, unsuitable resettlements in new economic areas and the high speed of urbanization, among others ■

Based on Viet Nam Gateway, 2005. Viet Nam takes the lead in poverty reduction, <http://www.vietnamgateway.org/hotnews/>, (11 April 2005).

Flash EVENTS



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19 September - 7 October, 2005
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19 - 22 September, 2005
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10 - 11 November, 2005
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Book Review

Key Indicator 2004; special chapter on Poverty in Asia: Measurement, Estimates and Prospects

Volume 35, prepared by the Development Indicators and Policy Research Division, Asian Development Bank, 2004

In an era where poverty is a central issue in international forums and organizations, the presence of this book is timely. As implied by its title, the book consists of three parts, namely the measurement, estimates and the prospect of poverty in Asia and the Pacific. After describing some important findings in the Introduction, this book begins with a measurement of poverty, covering not only the important conceptual issues involved in measurement but also the practices that underlie poverty measurement in Asia (Chapter 2). In the conceptual issues, the theory and practice of measuring poverty in developing countries are also elaborated. While poverty can be conceptualized in various ways, this chapter deals exclusively with the monetary (or material) approach to poverty. This approach identifies the poor in terms of households' deprivation in income or consumption expenditure relative to a particular standard, or poverty line. This chapter is also enriched by boxes describing alternative conceptions of poverty and definitions related to a monetary approach to poverty (Box 1 and Box 2). Various measurement techniques of the poverty line based on a monetary approach (social consensus, energy intake, cost of basic needs methods) and associated data problems and measurements are also discussed (Chapter 3).

The estimates of poverty in Asia and the Pacific are presented in Chapter 4. This study indicates that the magnitude of poverty in the region is staggering. In terms of the most common international definition of people in extreme poverty those who live on less than \$ 1 a day the estimates of this chapter reveal that almost 690 million Asians were poor in 2002. Using a more "generous" poverty threshold of \$ 2 a day, 1.9 billion Asians were poor that year.

The future of poverty in the region is discussed in Chapter 5. Based on assumptions of economic growth and income distribution, many developing countries in Asia and the Pacific are poised to meet both the MDG target of halving the 1990 proportion of extremely poor by 2015 and to reduce the number of people living in extreme poverty. However, if the MDG's target of halving poverty rates had been defined in terms of a \$2-a-day poverty line, Asia's performance would be much less impressive. Many countries would fail to halve \$2-a-day poverty between 1990 and 2015 under current growth rates and under the most equitable of distributions recorded in recent years.

This book provides comprehensive and detailed information related to poverty in Asia and the Pacific. In the measurements, various methods and concept are discussed, although only a monetary approach is applied in the study. The results of estimates are discussed in detailed. The report compares the estimates of poverty levels at the national level in 32 countries based on national and international poverty measures. The report also provides poverty levels in rural and urban areas for each country and also traces back the evolution of poverty in each country from the mid 1980s to the early 2000s. Finally, it also provides some analysis that constructs the relationship between growth and equity and between growth and poverty. All this information gives a comprehensive and clear account of poverty in the region.

However, there are a few limitations in this book. Firstly, only a monetary approach is applied to this study, and to some extent, can be misleading, especially when comparing poverty levels across countries (Klasen, 2005). In developing countries, non-income measurements, such as assets, access to health facilities and education and gender inequity are some indicators that should be considered when measuring poverty. Secondly, this book inadequately elaborates on factors behind the data/facts. The key factors explaining why some countries achieve impressive/less impressive results in reducing poverty are not sufficiently discussed. Yet, these descriptions are useful for policy makers and policy analysts as lessons that can help them in formulating pro-poor policies.

This book is valuable and a good reference for those involved in pro-poor policy analysis and policymaking. For policy-makers in the region, the book provides a "neutral" evaluation of the achievements of each country in tackling poverty associated with the first MDGs. For policy analysts, this book provides various methods of measurement related to poverty using a monetary approach. Conceptions, methods and data problems elaborated in the book give a clear guideline in estimating poverty. Moreover, applying these methods for measuring the poverty level in more specific agro-ecosystems, such as in marginal areas or areas where secondary crops are the main crops, is an attractive task. Similarly, using a composite approach that combines a monetary and non-monetary approach is also a challenging task ■

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