



Short Article

Poverty Alleviation Paradigm: Toward Holistic Community Empowerment and Development

The state of development and nature of poverty in developing countries is quite different to that in developed countries. In developed countries, the rural and urban economies are now largely integrated, and poverty has become primarily a question of macroeconomic growth and the provision of a social-safety net to the elderly, infirm and disadvantaged (Timmer, 2005).

In developing countries, poverty can be divided into two categories, chronic and transient poverty, each requiring a different interventions. Social safety net programmes should be totally devoted to the chronically poor, while a sustainable community development approach is more appropriate for the transient poor, aimed at empowering them within a finite time frame. In Indonesia, about 50 per cent of the poor live in transient poverty, sensitive to external shocks but with the capacity to lift themselves out of poverty.

There are two paths out of poverty and two transition phases that should be considered (World Bank, 2006). The two paths are a shift in farming systems from subsistence to commercial farming, and a shift in non-farm informal enterprises to more productive and profitable formal businesses. The two transition phases are a shift out of subsistence agriculture to petty trading and manufacturing, and rural-urban migration of household members.

In Indonesia, the poverty rate increased 11.25 per cent (or by 3.95 million persons) from February 2005 to March 2006, leaving a total of 39.05 million in poverty. This poverty incidence, although lower than that between 1998 and 2002, was the highest since 2003. The source factors are: the fuel price hike, inflationary pressures in many sectors, stagnant or low performance of investment and economic growth as well as inappropriate implementation of poverty alleviation programmes (Jakarta Post, 4 September 2006).

In addition to the social-safety net and partial sectoral programmes, the Indonesian government has handed out unconditional cash transfers to more than 19 million poor and low-income households (76 million people) during the past ten-months. However, it appears the cash transfers were inadequate to significantly improve the lives of the poor. It is not just a matter of the effectiveness of individual programmes but also of the entire approach guiding poverty reduction in Indonesia.

This paper proposes holistic community empowerment and development as an alternative approach to poverty alleviation. This can be done in the following ways: (i) changing individual- or partial-sector programmes to multi-sector community development; (ii) mainstreaming informal employment and promoting gender equality; (iii) legally empowering poor people; and (iv) providing support to minimize the negative impacts of trade liberalization on the income and employment of the poor.

The philosophy of the multi-sector community development approach is: (i) to acknowledge the capacity and social capital of the poor; (ii) to make the poverty reduction agenda relevant, contextual and sustainable by involving the poor in decision-making processes; (iii) to encourage and support transparent and accountable poverty reduction activities at the community level; and (iv) to reposition the role of poverty reduction-related parties from development agents to community empowerment facilitators (Mubyarto, 2002; Adiyoga and Herawati, 2003).

Korea and China have implemented notable and successful programmes in this area. The Korean Seamaul-Undong, is considered to be best practice by

UNESCAP and there are plans to implement it in other regions. The Government of China established the Leading Group Office for Poverty Reduction (LGOPR) and its executing agency (Poor Area Development Office/PADO) to co-ordinate the nation's funding and act as the principal advocate of the rural poor (UNESCAP, 2005).

The Government of Indonesia has implemented two national community development programmes since 1998/99, namely the Kecamatan (Sub-district) Development Project (KDP) and the Urban Poverty Alleviation Project (UPAP). Both projects promote the empowerment and involvement of poor people through participatory programme design. They also teach transparent budgeting and procedures, good governance and increased accountability (Jakarta Post, 4 September 2006). The two projects are the most democratic, bottom-up development programmes for poverty alleviation in Indonesia and in these projects a low rate of corruption was found.

In order to mainstream informal employment and promote gender equality, we must: (i) promote opportunities for both the self-employed and informal wage workers through integrated micro-finance service provision, skill training, improved technologies and other business development services; (ii) secure rights for the self employed, especially access to credit and other resources, as well as to create equitable policies for formal and informal enterprises; (iii) protect informal workers through extending the existing insurance schemes (and/or developing new ones); (iv) raise the 'voice' of informal workers through strengthening their organizations and representation in relevant policy-making institutions; and (v) be sensitive to gender issues and considering women workers who tend to earn less, have weak social protection, and need more policy support (Chen *et al.*, 2004).

Singh (2006) highlighted the importance of four key areas to be addressed to legally empower the poor and help them out of poverty. The areas include: (i) improved access to formal justice system and rule of law; (ii) a system of rights to protect their assets, to build trust, encourage access to credit and markets and raise productivity; (iii) labour rights to encourage the poor to move to the formal labour system; and (iv) an acknowledgment and encouragement of the entrepreneurial skills of the poor.

Trade liberalization will generate negative impacts for poor farmers living in remote areas and those cultivating protected commodities with low comparative advantage. Five policies are suggested to ensure that trade reform benefits the poor: (i) generating complementary measures to motivate a fair, open, rules-based trade system; (ii) increasing Indonesia's global export share to produce a transfer of resources as a result of gains from trade; (iii) stabilizing the price of exported commodities; (iv) developing human resources generally; and (iv) making trade a part of the overall agenda for economic growth and poverty reduction (Wilson Center, 2006).

The final stage in the rural-urban structural transformation can only be achieved gradually. Once rural-urban integration is achieved, the government will be able to focus on macroeconomic growth and social-safety net programmes devoted to the elderly, infirm and the chronically poor. ■

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(References available upon request)

Flash **BREAKING****Over 1 Million People in Nepal Could Go Hungry**

More than 1 million people in impoverished Nepal could go hungry unless the UN World Food Programme (WFP) is able to freely transport aid. The Nepal Transport Union has been disrupting the flow of freight trucks across Nepal. WFP is in its third phase of emergency operations to provide a two-month ration to over 225,000 drought-affected people in mid-and far- western Nepal. Over 265 helicopter flights are planned out of Surkhet to deliver 730 metric tons of food to these remote areas. With an annual budget of nearly \$30 million for Nepal, WFP will provide food assistance to over 1.7 million Nepalis, and more than 106,000 Bhutanese refugees by the end of this year.

UN News Centre, 2006. Over 1 Million People in Nepal Could Go Hungry unless UN Agency Gets Passage for Food, <http://www.un.org/>, (15 November 2006).

Migrant Workers Earn Monthly Income of 120 dollars

Migrant labourers in Chinese cities earn an average of 966 yuan (US\$120.75) per month, much more than the average farmer, but still very low compared to urban residents. Migrant workers are mostly poor farmers who leave the countryside to find jobs in cities. There are more than 100 million migrant workers in China. The average income of Chinese farmers is about one fourth that of the urban residents. The shrinking of farmlands is producing a bigger army of migrant workers in the country and has caused many social problems.

Chinadaily, 2006. Migrant Workers Earn Monthly Income of 120 dollars, <http://www.chinadaily.com.cn/>, (23 October 2006).

Number of Poor Falls Sharply in Bangladesh

Bangladesh, with a population of 144 million, is one of the world's poorest nations but has witnessed impressive economic growth in the last 15 years. The economy has grown by over 5 per cent annually since the early 1990s and in the last three years, average growth was over 6 per cent. Most of the poor live in rural areas, home to more than 70 per cent of the population. The number of poor people in Bangladesh fell to 40 per cent from 49 per cent in the last five years, rural poverty fell from 53 per cent to 44 per cent, while urban poverty fell from 37 per cent to 29 per cent. During the period the proportion of those classed as very poor, fell from 34 per cent to 25 per cent. The decline in poverty, by around two percentage points a year, was much faster than in India and Pakistan.

OneWorld South Asia, 2006. Number of Poor Falls Sharply in Bangladesh, <http://southasia.oneworld.net/>, (10 November 2006).

Which Way for Mongolia's Economy?

Mongolia is one of the most impoverished countries in the world. Per capita GDP in this country of 2.9 million people is estimated at \$1,900, and roughly two-thirds of the nation's population survives on about \$2 per day. Economy growth at 10.6 per cent in 2004 and 6.2 per cent in 2005 generates some optimism for Mongolia's future. But experts question the sustainability of strong growth rates, given the economy's dependence on the mining sector. Expanding efforts to develop the agricultural sector would benefit the broadest share of Mongolians. There are 257,000 households in Mongolia are involved in the agricultural sector, and for three-fourths of them it is their sole source of income. Roughly 40 per cent of the workforce continues to engage in nomadic livestock herding. Despite this,

Mongolia is dependent on food imports. Only one-sixth of 1.2 million hectares of arable land is being cultivated. In 2005, agricultural production actually fell 5.5 percent. Over the last 20 years not a single major agricultural innovation has been introduced in Mongolia.

Atli, Altay, 2006. Mongolia Searches for a Sustainable Growth Plan. EurasiaNet, <http://www.eurasianet.org/>, (24 October 2006).

Most Asia Pacific Countries Falling Behind MDGs

Many of the region's developing countries, stretching from the Pacific to Central Asia, are likely to miss or even regress from a wide range of MDGs, including the targets on child health, and diseases. Countries in the region have been grouped into four categories according to their different performance levels for achieving the MDGs. The first group, called 'moving ahead' - making good progress and with a current status better than average for the region - includes Armenia, Azerbaijan, China, Kyrgyz Republic, Malaysia, Palau, Thailand and Viet Nam. The second group, 'losing momentum' - making slow progress, although from a relatively favourable status includes Fiji Islands, Kazakhstan, Samoa and Uzbekistan. The third group, 'catching up' - making progress but with a current status below the regional average - includes Afghanistan, India and Nepal. The last group, called 'falling further behind' - scoring negatively on both progress and current status indexes - includes Bangladesh, Indonesia, Lao People's Democratic Republic, Mongolia, Myanmar, Pakistan, Papua New Guinea and the Philippines. The gaps within countries can be as stark as the gaps between countries even in places that have seen spectacular development such as China and India. There is also a wide divide between progress in urban and rural areas. Much remains to be done if governments in the region are serious about delivering the MDG promises to their poor and to achieve sustainable development. At present, too many countries that score low on the progress or status of the education and health targets commit only a small proportion of their GDP to these sectors. And countries of most concern in the region are often among those not receiving enough from trade or aid. While developing countries must commit to supporting institutions and policies that promote the sustainable economic growth required to achieve the MDGs, developed countries must also provide more aid, more efficiently, and ensure fair trade and a more equitable share of global prosperity for poor people. ■

Based on UNESCAP News Services, 2006. Many Asian Countries Falling Short of MDG Targets, Report Says, Press Release No. G/45/2006, <http://www.unescap.org/>, (16 October 2006).

Investing in Women to Reach the MDGs

The state of rural women is similar throughout the developing world: they are overwhelmingly responsible for feeding hungry men and children, but they are the last to gain access to resources. The following facts will highlight the exact condition of rural women throughout the world: (i) there are 1.6 billion rural women farmers, they own only 2 per cent of the land and get just 1 per cent of all agricultural credit, (ii) village women represent a whopping two thirds of all illiterate people in the world, (iii) nearly 500 million women live in abject poverty in the villages, (iv) rural women are often not in a position to access services like credit, training and education, (v) women produce around 60 - 80 per cent of basic foodstuffs in Sub-Saharan Africa and the Caribbean, and (vi) women perform over 50 per cent of the labour involved in intensive rice cultivation in Asia. It has been found that rural women work more than rural men. But still they are not paid appropriately. Just by investing in the world's women, the MDGs could be reached by the target date of 2015. When women thrive, all of society benefits, and succeeding generations are given a better start in life. Each country's lifeline is its villages. Once villages prosper only then can the nation hope to make any tangible progress. And this progress can only be achieved when both men as well as women not only do similar work but also get treated equally and justly for the same work. When this is implemented at the local level in every nation only then can true prosperity hope to be achieved for the world. ■

Based on Banati, Ritam, 2006. World Rural Women's Day. Zeenews, <http://www.zeenews.com/>, (14 October 2006).

Why do Developing Countries Subsidize Developed Countries?

A curious situation has developed in the last decade: developing countries have become net exporters of capital. In 2005, leading developing countries had a current account surplus of \$600 billion whereas developed economies had a current account deficit of more than \$600 billion. Obviously, the current account deficit of the developed world has been fed from the surplus in the developing world. This situation stems from export led growth of developing countries. Developing economies' share in world exports has jumped to 43 per cent in 2005 from 20 per cent in 1970. The most remarkable achievement of developing countries is the acquisition of world foreign exchange reserves of over \$2 trillion. These reserves are invested in mostly in US treasury bonds and other financial instruments. It seems perverse that poor countries today prefer to buy low yielding US government bonds when they could earn higher returns by investing in their own countries. For the developed world, it is the ideal situation. They welcome capital from the developing world and pay five per cent interest with just about three to four per cent inflation, take the same capital to the developing world and with their better management and technology make a profit of 25 per cent or more on the recycled capital of the developing world. The losers in this perverse game are the developing countries. Placing all or most of the reserves in US treasury bonds is also financially extremely risky. The dollar may depreciate by 10 - 20 per cent in a few years due to the persistent imbalance in US current account. Much better to have invested this amount either at home or in developing countries or for international causes around the world. The affluence of Chinese and other holders of foreign exchange reserves should be utilized for more investment, especially for providing better welfare services to citizens and helping the cause of the sick and poor around the world rather than financing current account deficits of profligate consumers in the developed countries. The present policy of increasing the mountain of foreign exchange reserves involves a huge capital risk for developing countries who could increase the standard of living of a large chunk of their population through greater domestic investment. The developing world as a whole will gain from more generous aid and investment policy of reserve rich developing countries. ■

Based on Khan, Akhtar Hasan, 2006. Why Developing Countries Subsidise the Developed World? Dawn (the Internet Edition), <http://www.dawn.com/>, (6 November 2006).

Bonus Billions to Battle Poverty

The government of Lao People's Democratic Republic has set aside an extra budget of 23.5 billion kip for the 47 poorest districts across the country. The fund will be used to create village development funds, assist poor families, and promote increased agricultural production for market each year as well as set up a data system to monitor and evaluate the implementation of poverty eradication policies from central to local levels. The programmes will also aim to execute preventative measures and strategies to cope with natural disasters and seasonal food shortages. The government will augment the financing of poverty eradication programmes, extending credit schemes supporting poor families seeking to augment their agricultural productivity, or to establish small enterprises. Moreover, the government will provide technical assistance and information on marketing to secure the prices of poor people's agriculture products through various funds. There is also a need to further expand village development funds and vocational training programmes, and to seek employment alternatives for Lao ethnic minorities so that they can stop slash and burn cultivation. The government has focused on four main sectors in eradicating poverty: transportation, public health, and education infrastructure, with the fourth being improvements to agriculture and forestry. ■

Based on Vientiane Times, 2006. Bonus Billions to Battle Poverty, <http://www.vientianetimes.org.la/>, (23 October 2006).

Flash EVENTS



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9 - 10 February 2007
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Book Review

Reducing Rural Poverty in Asia: Challenges and Opportunities for Microenterprises and Public Employment Schemes

Nurul Islam, Food Products Press, Binghamton, NY, USA, 2006. ISBN 978-1-56022-301-6

What can governments and NGOs do to assist the rural poor? Increasing agricultural productivity is crucial. Just as important is expanding off-farm employment and income-earning opportunities. "Reducing Rural Poverty in Asia" by Nurul Islam focuses on two ways of promoting such opportunities: micro-finance and public employment schemes. The book is divided into two sections: the first being Dr. Islam's summary and synthesis of the case studies contained in the second section. The first section stands alone, in that it is not necessary to read the case studies unless the reader desires further detail. The case studies are drawn entirely from India and Bangladesh, bar one from the Philippines.

Micro-finance

The book highlights the tension, common in micro-finance organizations between financial sustainability and poverty alleviation. Lending to the poor can be costly for several reasons: the size of loans is small compared with transaction costs, borrowers may need training and education before they are able to generate income, information asymmetries create difficulties in assessing the creditworthiness of the poor, and the poor often live in remote areas. These problems have traditionally been overcome by group lending, where the group judges the individual's creditworthiness, however, the case studies demonstrate that individual lending to the poor is also possible if sufficient incentives are given to staff to monitor the loans closely. There is a need to actively target the poor, given the monetary incentives for micro-finance organizations to lend to the non-poor. Dr. Islam also concludes that non-credit inputs "such as technical skill, production technology, and marketing arrangements" are important complementary inputs into such schemes.

Public employment schemes

Public employment schemes are becoming increasingly relevant in developing countries as governments focus more on unemployment and underemployment. Public works can benefit the poor not only by providing employment, and also much-needed infrastructure which, according to Dr. Islam, "has powerful growth effects on the rural non-farm economy" by increasing access to markets and essential services. As with micro-finance, public employment schemes need to deliberately target the poor. In the case studies presented, this was done either through explicit criteria such as landlessness, destitution, women-headed households and so on; or through "self-targeting" measures such as paying low wages, making the work attractive only to the poorest. Often, projects use labour-intensive techniques to increase the employment and poverty alleviation benefits.

Public employment programmes are best used to ameliorate temporary hardship by smoothing fluctuations in labour demand. In rural areas,

this may occur due to season- or climate-related production cycles. For this reason, Dr. Islam recommends that projects be developed well ahead of time, ready to be pulled off the shelf when needed.

Assessment

The book is targeted to academic researchers as well as practitioners in governments and NGOs seeking to learn practical lessons from others' successes and failures. Both these groups will find useful material in the book.

Whether the lessons from the (mostly South Asian) case studies can be generalized to the rest of Asia is uncertain. It is clear that the factors that explain success and failure of the programmes are highly reliant on local social structures. Research shows that even within Indonesia the determinants of off-farm business start-ups vary widely between different regions. In addition, Bangladesh is an exception to the tendency in many other countries of micro-finance institutions to shy away from rural areas.

In my opinion, it was disappointing that none of the case studies on public employment schemes tackled the (albeit difficult) task of assessing the long-term labour market effects of such programmes, such as the effect on the long-term employment prospects of participants (generally thought to be negligible) and the effect on aggregate labour demand.

The structure of the book is also a little awkward, having its conclusions in the middle, and there is sometimes inadequate introduction and background to the case studies. To really enjoy the book, one must have a passion for acronyms, of which there are 179 peppered throughout the book.

Notwithstanding the above, there is much of interest in the book. A salient lesson from the book is that, if not carefully designed for local conditions, the benefits of well-intentioned poverty alleviation programmes will be captured by the non-poor. For instance, many of the participants in the Employment Guarantee Scheme in Maharashtra, India were non-poor, due to the long waiting period between registration and the commencement of work; the non-poor can afford a short period without income, but the poor cannot. The ubiquitous association between power and wealth can frustrate poverty alleviation programmes and entrench inequality, as the wealthy use their local political power and knowledge of bureaucratic process to use programmes for their personal benefit. ■

Reviewed by William Henderson, Research Associate, UNESCAP-CAPSA, Bogor, Indonesia.

(References available upon request)