



Introduction

Introduction: An Overview of the First Asia and Pacific Forum on Poverty

Christopher Edmonds and Sara Medina

1. Background of the First Asia and Pacific Forum on Poverty

In November 1999, the Asian Development Bank (ADB) adopted poverty reduction as its principal objective. The Poverty Reduction Strategy that resulted from that decision committed ADB to host an international forum on poverty issues every three years. In February 2001, the Asian Development Bank hosted the first-ever Asia and Pacific Forum on Poverty (the Forum), one of the largest international meetings ever undertaken exclusively by ADB: more than 300 delegates from all over the world met in Manila, Philippines, for a week of presentations and discussions of poverty issues.

The Forum built upon previous ADB-organized conferences that were related to poverty. In particular, by launching a volume of proceedings from the 1999 Manila Social Forum, the Asia and Pacific Forum on Poverty highlighted the link between those two conferences.

The Forum provided an opportunity for stakeholders to share views and information about poverty reduction efforts in the Asia and Pacific region. Delegates included researchers from universities and research institutions; policymakers from developing member countries (DMCs); representatives from civil society and nongovernment organizations (NGOs), labor groups, business and professional associations, religious bodies, and other citizen groups; development practitioners from multilateral aid providers and the United Nations system; members of the media; and ADB staff.

The theme of the Forum was “policy and institutional reforms for poverty reduction.” Thirty-six separate sessions considered questions relating to this broad theme. Sessions under the general theme of policy and institutional reform covered three topics: (i) the political economy of poverty reduction, (ii) the ingredients of pro-poor growth, and (iii) social protection. More than 160 individuals formally addressed the delegates and an even greater number took part in the discussions that followed the formal presentations.

Reflecting the Poverty Reduction Strategy’s recognition of the multidimensional nature of poverty in the Asia and Pacific region, the sessions addressed a wide range of topics at the international, regional, national, and local levels. The themes discussed by participants included (i) macroeconomic questions regarding the international monetary system, globalization, macroeconomic growth, and poverty reduction; (ii) issues of practical relevance

for region-specific, country-specific, and sector-specific policies and for poverty reduction relating directly to ADB operations; and (iii) implementation of poverty reduction efforts at the micro level, particularly social protection to maintain minimal living standards for the poorest despite income shocks and market changes. A separate set of sessions discussed methods for the measurement and monitoring of poverty.

2. Key Messages of the Forum

Forum participants agreed on several vital priorities: (i) the need for stakeholders to share a common vision, (ii) the importance of promoting good governance in the region, (iii) the value of partnerships with the private sector, and (iv) achievements and shortcomings in the region's progress toward the 2015 International Development Goals (IDGs).

Reiterating the need for multiple approaches in reducing poverty, participants formed a broad consensus that the full range of ADB's activities is necessary: program loans to DMCs; technical, capacity-building assistance in reforming their institutions and policies; and projects that improve the delivery of basic services to the poor. Similarly, participant discussion reinforced the three pillars of poverty reduction under ADB's strategy: sustainable pro-poor economic growth, social development, and promotion of good governance.

ADB's emphasis on improved governance in DMCs received widespread support among Forum delegates and was widely reported by the media. In addition, discussions and presentations highlighted the role of the private sector and the need to engage the private sector more actively in poverty reduction efforts.

ADB's efforts to reduce poverty in the region and its commitment to poverty reduction as its overarching objective were clearly emphasized. The Forum highlighted ADB's leadership in poverty reduction efforts in the Asia and Pacific region, while the active participation of international and bilateral development and aid organizations underscored ADB's collaboration with other aid providers. Regional accomplishments toward achieving the 2015 IDGs were highlighted. At the same time, shortcomings in social development, governance, and environmental issues were also identified.

a. Areas of broad consensus

The Forum succeeded in defining areas of widespread agreement among the participants. Areas of broad consensus at the Forum included the following:

- Recognition that economic growth is essential for poverty reduction. Several presentations, however, emphasized the need for detailed understanding of growth poverty reduction linkages and for qualification of the conditions in which growth reduces poverty.
- The importance of fostering of stakeholder involvement. Stakeholder involvement includes the role of civil society organizations vis-à-vis those of governments and market

- institutions in the development and execution of poverty reduction policies and projects.
- The need for appropriately structured and targeted social protection. Delegates agreed that cushioning the poor from the effect of economic fluctuations and the cost of economic adjustments is a priority. Such social protection calls for innovative approaches in financing and delivery, and the use of a variety of funding modalities across national governments, multilateral development agencies, and bilateral aid providers.
 - The importance of enhanced basic social service provision for poverty reduction. These services—education, health care, and family planning—are essential instruments for improving and maintaining the productivity of the region's work force, and thus are vital to achieving sustained reductions in poverty in the region.

b. NGO representation and other participants in the Forum

NGOs and stakeholder representatives were active participants in the Forum and contributed greatly to the debate that took place. A number of Philippine NGOs set up information booths outside the Forum meeting halls to inform delegates of NGO activities. Accommodation of NGOs at the Forum also included a stand-alone informal session between ADB staff and NGO representatives on the last day of the Forum.

There were many contributions to the Forum from ADB professional staff, who acted as resource persons and provided about one third of the substantive presentations. Similarly, the Forum marked a positive step by the Economic Research Department toward serving the needs of the operations departments. The Forum benefited from the extensive involvement and support of ADB's partner international development and aid provider organizations, including the ADB Institute, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP), and the World Bank. Several sessions provided opportunities for various agencies to discuss their approach to assisting developing countries in reducing poverty and to work toward better aid provider coordination.

The Forum relied extensively on a committed website as a channel for distributing Forum materials and coordinating Forum activities, including disseminating information and papers before and during the week of the meeting. The website provided easy access by a global audience to papers and presentations used at the Forum through ADB's Internet site.

Feedback from ADB staff and other delegates regarding the Forum was generally positive. Some country delegations indicated that the Forum informed them about substantial work ADB has completed regarding poverty reduction, and thus led them to better appreciate ADB's role as a resource center in the region. NGOs at the Forum appreciated the high quality of papers and presentations. Interactions between ADB staff, DMC officials, and other Forum delegates promise to further the policy dialogue regarding implementation of the Poverty Reduction Strategy in Asia and Pacific DMCs.

3. Organization of the Proceedings

Two volumes of Forum proceedings are introduced here. Volume 1 reproduces a selection from the more than 75 speeches, presentations, and papers given at the Forum. Volume 2 comprises papers from the Forum addressing social protection themes. The selection provides a representative sample of the wide variety of perspectives and range of issues related to poverty reduction in Asia and the Pacific that were addressed at the Forum. Unfortunately, the need to keep these publications manageable in size meant that only a fraction of the excellent materials presented could be published. Nonetheless, nearly all the materials from the Forum are available through other publications. Foremost among these, in terms of completeness, is a CD-ROM that duplicates the Forum web page and includes all the papers and presentations compiled from the Forum (see ADB's website, www.adb.org/Poverty/Forum/, for information about how to order a copy of the CD-ROM). In addition, some papers from the Forum have been published in other books or journals: *Reducing Poverty in Asia: Emerging Issues in Growth, Targeting, and Measurement* (2003) published by Edward Elgar Publishers, U.K., and the *Asian Development Review* (2002), whose volume 18, number two was devoted to presenting some of the papers from the Forum. This introduction discusses briefly most of the papers and themes addressed during the weeklong meeting.¹

The first volume of proceedings addresses themes that were considered at the Forum, except for themes pertaining to social protection, and are addressed in general progression from topics relating to broad strategies for poverty reduction and macroeconomic issues to more narrowly focused topics regarding economic development, growth, and poverty. This volume is divided into seven main theme areas, and the introduction discusses papers in approximately the same order that they appear in the volume. To begin, the volume reproduces addresses and papers prepared by senior spokesmen from several leading multilateral development institutions. These papers consider the overarching approaches these organizations have adopted to guide their efforts in poverty reduction. Papers also address strategic priorities in reducing poverty and achieving the 2015 IDGs, as well as issues of aid provider coordination and cooperation. In addition, included in this Introduction is a summary of the views presented by bilateral aid providers addressing these issues.

The volume treats more papers from researchers on the theme of broad strategies for reducing poverty in Asia and the Pacific. Papers discussing macroeconomic considerations, increased global trade, and pro-poor growth are presented. The next section consists of papers on the problems of governance in the region's DMCs papers on the role of civil society and the private sector in poverty reduction efforts take up still another section. Papers discussing various countries' experiences in the use of targeted mechanisms to reduce

¹ To indicate where the materials summarized in this introduction are available in their entirety, papers and presentations apply the following annotations: + indicates the paper is presented in this volume, † indicates the paper/presentation is available on the CD-ROM referred to in the text, * indicates the paper appears in volume *Reducing Poverty in Asia: Emerging Issues in Growth, Targeting, and Measurement* published by Edward Elgar Publishers, # indicates the paper is reproduced in volume 18 number 2 of the *Asian Development Review*, and materials listed without annotation are not available.

poverty, including resettlement, gender considerations, labor policy, improving the health and nutrition of the poor, rural development and natural resource management, microfinance, urban-focused poverty reduction, and technical innovations in the fight against poverty are considered as a wide-ranging group of papers looking at poverty reduction efforts focusing on particular demographic groups or economic sectors. The penultimate section reproduces papers on the definition and measurement of poverty itself, including a review of current practice and recent advances. The final section of the first volume of proceedings comprises regional and country studies, including areas such as the Mekong River Delta and the Pacific islands.

4. Approaches of International Development Institutions to Poverty Mitigation

Most development institutions now, like ADB in 1999, have officially endorsed poverty reduction as their fundamental goal. As part of its three-pillared approach, ADB contends that economic growth is an essential tool in alleviating poverty, but is insufficient by itself to fight poverty. Growth can effectively reduce poverty when accompanied by a comprehensive program for social development—safety nets, better programs in education and health care, and job and income opportunities for more people. Good governance is another necessary tool; it promotes formulation and implementation of policies, sound macroeconomic management, transparent use of public funds, and effective delivery of public services. ADB assists in refining national strategies for poverty reduction by prioritizing these strategies and programs in partnership agreements with governments.

A number of distinct but related initiatives of the main multilateral development organizations active in Asia and the Pacific have helped develop policy positions with respect to these institutions' efforts to reduce poverty in the region. For example, ADB's Poverty Reduction Partnership Agreements (PRPAs) with its member countries highlight shared understandings and delineate strategic priorities in the fight against poverty. The poverty profiles and related research that underpin the formulation of PRPAs have helped to provide a more subtle understanding of the causes of and remedies for poverty in the Asian and Pacific region, and have been valuable in enabling ADB and its counterparts in the DMCs to reorient their activities to achieve poverty reduction.

a. Perspectives of multilateral development institutions

The Forum opened with an address by ADB President Tadao Chino+ who outlined the broad parameters defining poverty in the Asia and Pacific region and reviewed ADB's efforts in adjusting the organization from the goal of broader development lending to spur economic development to the more focused objective of poverty reduction. The address summarized ADB's broad strategy for reducing poverty in the region it serves, and highlighted the importance of cooperation between partner institutions, host governments, and actors in the private and nongovernment sectors.

The presentation by Karti Sandilya, then Manager of the Poverty Reduction Unit of the ADB Strategy and Policy Department[†], reviews the steps that preceded ADB's adoption of the Poverty Reduction Strategy.² These principally comprise the formation of the Presidential Commission on Poverty, the creation of the Poverty Reduction Unit, and development of an operational framework for poverty reduction. The operational framework defines for ADB the strategic inputs, central goals, and strategic outcomes required for fully elaborating the organization's shift to poverty reduction as its principal mandate. Measures to strengthen ADB's capacity in poverty analysis and reduction, expand the organization's knowledge and experience in designing the implementing interventions intended to reduce poverty, commitment of greater resources, and demonstrated commitment are identified as the key strategic inputs to sharpening ADB's focus on poverty reduction in its operations. Sandilya also discusses ADB's distinctive role in leading the effort to rapidly and sustainably reduce poverty in the Asia and Pacific region.

The address by World Bank President James Wolfensohn⁺ highlighted the cooperation between ADB and the World Bank, and recalled the issues emphasized in the preceding year's Manila Social Forum that was jointly hosted by these two institutions. The challenges in reducing poverty in light of Asia's changing demography were a major theme in Mr. Wolfensohn's address.

In his address, Masood Ahmed, Deputy Director, Policy Development and Review Department of the IMF⁺, considers the policy mechanisms available for development agencies and national governments for targeting growth so that its benefits accrue to the poor. The address features a careful discussion of the nature of pro-poor growth and the policies available to spur pro-poor growth. Other issues considered in the address include the importance of increasing the transparency and accountability of aid providers and recipient governments in achieving poverty reduction, the importance of policy initiatives to reduce risks faced by the poor as a poverty mitigation approach, the importance of active labor market policies to ensure that the poor made jobless by economic downturns or structural adjustment processes can quickly find new employment, and the importance of protecting and nurturing social networks in the course of economic development and structural transformation. The actions indicated for multilateral and bilateral development organizations from these priorities are discussed.

The Poverty Reduction Strategy Papers (PRSPs), launched in late 1999 by IMF and the World Bank, perform a similar function to that of ADB's PRPAs in articulating new antipoverty frameworks for developing countries. Both begin with the concept of country ownership, and aid provider organizations should treat these exercises as a participatory process and the starting point for aligning their activities with the priorities that emerge from the formulation exercises. These initiatives require that poverty reduction efforts be country-driven and result-oriented, focused on long-term objectives, and based on partnership (between governments and civil society—the private

² The job titles and organizational affiliations noted in the Introduction refer to the authors' or presenters' title and affiliation at the time of the Forum and may not be current.

sector and the donor community). The approaches also underscore the need for a comprehensive approach to development in reducing poverty, strengthening government and financial systems, and addressing social concerns.

The speech by Jean-Claude Faure, Chairman of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD)+, highlights the importance of prompting growth as well as income equality in the current efforts to reduce poverty in Asia. Political empowerment of the poor is also important, as is improving social service provision in developing countries. In order to achieve these goals, Mr. Faure argues that forging effective partnerships between the various aid providers and between these and the developing countries are essential. Six principles for forging strong partnerships are set out and discussed. The speech concludes by emphasizing the need for policy coherence—between policies within a single country and between countries—and strong analytical policy work to underpin the reforms needed achieve poverty reduction. Six policy areas are identified as OECD member priority areas for enhancing policy coherence to improve poverty reduction prospects in the developing world.

In 1996, OECD set out its strategy “Shaping the 21st Century: The Contribution of Development Cooperation,” a vision based on partnership around development strategies owned and led by developing countries’ governments and civil societies. The strategy also committed DAC members to assist developing countries in achieving the 2015 IDGs, which address key dimensions of poverty. Faced with this complex challenge and determined to work more effectively to reduce poverty, DAC members are working within a set of guidelines that call for

- Understanding the nature of and most effective approaches to world poverty;
- Maintaining effective partnerships between government, civil society, the private sector, and aid provider institutions;
- Translating poverty reduction objectives into more effective programs, eliminating multiple administrative and financial requirements and streamlining practices, procedures, and reporting requirements; and
- Establishing better policy coherence in six priority areas: international trade, direct investment, agriculture and food security, global capital movements, natural resources and the environment, and social issues and governance.

For its part, UNDP spearheads the United Nations’ advocacy for poverty reduction, and has prioritized the following targets:

- Selecting, pacing, and sequencing policies capable of fostering equitable economic growth;
- Increasing efficiency, transparency, and accountability of institutions that manage economic reform;
- Fostering country ownership of the reform process;
- Reducing national inequalities;
- Mobilizing adequate resources for poverty reduction; and

- Harmonizing national poverty reduction strategies with more equitable global economic and financial regimes.

In his presentation, Hafiz Pasha, Assistant Administrator and Director of UNDP's Regional Bureau for Asia and the Pacific+, emphasizes the multidimensional nature of poverty and the 2015 IDGs' clear recognition of this through their identification of both income and nonincome poverty reduction targets. He highlights six areas in which action by international aid providers and policymakers is called for in developing countries. A key challenge in achieving the goals encompassed in the IDGs, according to Pasha, relates to prioritizing and sequencing reforms needed to create macroeconomic environments conducive to pro-poor growth. The importance of increasing the efficiency and transparency of institutions managing the economic reform process, and fostering country ownership of the reform process, are identified as two other key areas for action. Reducing inequality, ensuring adequate resource mobilization, and harmonization of national poverty strategies with more equitable economic and financial regimes globally round out Mr. Pasha's list of key action areas. His presentation concludes by reviewing UNDP's role and plans for leading the international effort to reduce poverty.

In his presentation, Terence Jones, UNDP Resident Representative in the Philippines, outlines seven key interventions on which UNDP is concentrating its efforts to promote poverty reduction in Asia. These interventions include:

- Stimulating debate on poverty reduction in the developing world at the global level;
- Drawing on the unmatched data and ideas contained in UNDP's Human Development Reports to support national poverty surveys, policy frameworks, strategies, and action plans;
- Engaging in processes to develop national poverty strategies with an emphasis on country ownership and assurance that human development issues are addressed;
- Integrating gender and environment in pro-poor planning;
- Highlighting the importance of technology access, especially information and communications technology, as a tool in poverty reduction efforts;
- Promoting access to sustainable energy resources; and
- Supporting democratic governance programs to ensure participation of the poor and their protection.

An additional contribution from the UNDP was provided by Terry McKinley, Senior Economist at UNDP's Bureau for Development Policy†. His presentation argues that while rapid growth in developing countries could halve income poverty by 2015, it is essential that growth be accompanied by a more equitable distribution of economic resources and political power. Growth, in the absence of improvements in distribution of its benefits, is argued to be unsustainable, and experience demonstrates that growth and equality are correlated. Public policy can facilitate mutual reinforcement of growth and equity, but complementarity is difficult to "engineer." McKinley considers two patterns of pro-poor growth, "broad-based agricultural development" and "export based industrial development," in relation to the question of growth and equity, and

notes that the ultimate objective of UNDP's efforts is "poverty-focused human development," which is influenced by a range of policies and is partly independent of growth-inducing policies. The challenge for policymakers is to craft a comprehensive, country-specific public policy that stimulates growth, reduces inequality, and ultimately reduces poverty.

b. Bilateral donor perspectives

Representatives of many of the bilateral development and aid organizations attended the Forum, and greatly contributed to the proceedings by making presentations and participating in and chairing Forum sessions.

The Forum presentation by Paul Flanagan of the Australian Agency for International Development (AusAID)† summarizes that agency's development priorities and approach to poverty reduction efforts. Highlighting AusAID's embrace of poverty reduction as its central program objective since 1997, Flanagan reviews global and regional poverty trends, e.g., the Asian continent continues to have the greatest number of poor, even while it has seen the most striking reductions in poverty in recent decades; this achievement is linked to the high rates of economic growth experienced in several Asian countries. Defining poverty as a multidimensional concept, he spells out four AusAID funding priorities: stimulating growth, enhancing productivity, increasing accountability, and mitigating vulnerability, and outlines the distinct measures to be emphasized in achieving each of these. Flanagan concludes his presentation by considering the modalities AusAID employs in analyzing poverty and in defining its principles for action, and how these drive the agency's funding priorities.

The address by Roger Ehrhardt, Director General, International Financial Institutions, Canadian International Development Agency (CIDA)+, at the Forum outlines the principles of CIDA's Comprehensive Development Framework for poverty reduction. The framework emphasizes the need for a long-term vision, a clear strategy, and enhanced country ownership, including participation of all segments of society, in order to achieve real gains in reducing poverty. He also emphasizes the importance in the Framework of stronger partnership between developing country governments and aid providers, as well as the imperative of accountability for development results of all institutions active in the development process.

Sean Conlin of the United Kingdom's Department of International Development (DFID)† presents DFID's changing paradigm of poverty reduction. A major component of this new paradigm is an increased effort to foster broader policy reform through a move away from investment project financing and toward countywide and sectorwide strategies. Moves toward direct DFID provision of budgetary support for the activities of developing country governments and a greater emphasis on closer collaboration with other development agencies reinforce DFID's changing paradigm. Conlin also discusses the organizational changes and changes in skills and staffing among personnel that DFID is undertaking to adjust to these changes.

The presentation by Christian Breustedt of Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)† outlines the broad approach and priorities that GTZ applies in guiding its contributions to international efforts to reduce poverty. Noting that the German government committed itself to the 2015 SDGs at the 2000 Millennium Summit, Breustedt emphasizes that poverty reduction has always been an integral part of German development cooperation. GTZ's approach emphasizes participatory project planning, implementation, and monitoring methods, and follows a multistakeholder and multilevel approach in its advisory services. GTZ-funded initiatives are country-driven, formulated through participatory processes, comprehensive in addressing the multiple dimensions of poverty, and results-oriented; and they provide sustained and continuous policy and project actions. GTZ views stable growth, organized and mature civil societies, decentralized and democratic social structures, and long-term social peace as being necessary to sustained poverty reduction. Breustedt discusses each principle and the organization's programmatic focus in seeking to fulfill it: for example, GTZ underpins the multistakeholder approach by investments in poverty information and monitoring systems, poverty-conscious budget planning, support of social action funds, and financing of public works programs, sector programs, and social safety nets and social security schemes. He concludes his presentation by reviewing GTZ's current portfolio of poverty reduction initiatives in the Asia region.

In his presentation at the Forum, Rentaro Tamaishi, Director of the Social Development Division at the Japan Bank for International Cooperation (JBIC)†, outlines his organization's approach to the pursuit of poverty reduction in its overseas development assistance. Tamaishi identifies two main thrusts: first, financing initiatives to spur sustainable economic growth through the construction of socioeconomic infrastructure; and, second, financing of direct poverty-mitigating interventions. The share of JBIC financing going to social development projects has risen over time, nearly doubling between 1996 (13.4 percent) and 1999 (25.5 percent); poverty reduction projects took up 15 percent of the JBIC portfolio in Fiscal Year 1999. Mr. Tamaishi cites JBIC's operations in Indonesia as reflecting the increased importance being given to poverty reduction and the shifts in programmatic focus this has entailed. He identifies four areas of progress and action through which JBIC works to mainstream poverty reduction:

- Establishment of the Social Development Division,
- Inclusion of social assessment in its project assessment procedure,
- Adoption of performance monitoring with mandated collection of baseline surveys and operation and effect indicators, and
- Greater partnerships with NGOs, other aid providers, or development institutions.

Tamaishi concludes with a review of JBIC's achievements in increasing the number and quality of poverty assessments and social surveys in aid recipient countries.

The address of Patricia Buckles, Philippine Mission Director for the United States Agency for International Development (USAID)+, outlines the sustainable development approach to poverty reduction that guides USAID's grant and technical assistance activities. It empha-

sizes efforts to stimulate broad-based, equitable economic growth as the most effective means to bring the poor and other marginalized groups into the economic mainstream—in sharp distinction, Buckles notes, to direct poverty reduction strategies. While highlighting the role of economic growth and productivity enhancement as routes to sustained improvements in the standard of living of the poor, USAID's approach tends to give a lower priority to efforts to directly improve income distribution or direct provision of goods or services to the poor. She explains the approach by referring to statistics on the incidence of poverty and the level of economic development in developing countries, and through reference to lessons learned from East Asian development. Ms. Buckles concludes her address by cautioning against adopting rigid formulas and approaches in seeking to reduce poverty, and stressing the need for all aid providers to assure themselves that highly focused or targeted poverty reduction strategies do not diminish prospects for long-term, sustainable poverty reduction.

According to the presentations by donor representatives at the Forum, the experience of the past two decades seems to have produced broad consensus in the approach of aid provider nations: poverty reduction is the goal; everything else must serve that end, e.g., economic growth and development are important, but mainly as the chief mechanism for reducing poverty, and should be focused on increasing incomes for the poor; the inculcation of better governance helps advance programs and policies to reduce poverty; social protection should be aimed at those who are poor or at risk of becoming so. One exception is the position of USAID, which emphasizes growth that will bring all groups into the economic mainstream, rather than activities focused directly on poverty reduction; Japan, meanwhile, stresses growth and poverty reduction as side-by-side priorities. Experience has taught these countries' development agencies that developing countries must "own" the programs that will help them; decisions about what programs and policies to undertake must be participatory among governments, aid provider agencies, and the poor themselves, and carried out in partnership; and that an effective channel for aid is program and sector support that helps governments help the poor more effectively, transparently, and accountably.

5. Defining the Broad Strategy for Reducing Poverty in Asia and the Pacific—Theoretical Perspectives

The papers and presentations dealing with broad poverty-reducing strategies look for ways to generalize from the vast amounts of data amassed in the past 30 years' experience with aid provision and development advice and assistance. The authors look for statements that can be true across all economies, all levels of development and all levels of incidence of poverty.

The paper *A Conceptual Framework for Designing a Country Poverty Reduction Strategy*⁴ by Ronald Duncan, Professor, National Center for Development Studies, Australian National University, and Stephen Pollard, Senior Economist (Poverty Reduction), ADB, considers the optimal sequencing for development and poverty reduction interventions by ADB and similar multilateral development institutions. Their analysis begins with a broad review of advances in development theory over the past 50 years and the changing assumptions about the causes of poverty implied by these theories. They discern an evolution in this

theory. Early paradigms focused on technical inputs and the key role of savings and capital investment in prompting development. These gave way to theories emphasizing the importance of human capital development, policy reform, and technical change. The authors highlight more recent development theory that emphasizes the critical importance of institutions and good governance in enabling development and poverty reduction. Legal regimes ensuring secure property rights in the broadest sense are seen as being particularly important in prompting investment and development. Building upon insights from this review, the authors develop a conceptual framework intended to guide development practitioners in prioritizing, sequencing, and characterizing all interventions aimed at reducing poverty.

A more technical paper by Graham Pyatt, Professor, Economics Department, Institute of Social Studies, The Hague, Netherlands, *Balanced Development: An Approach to Development Policy and Priorities**, considers how the poor are conceptualized in current development approaches and proposes reorientation in current practice to better prioritize poverty reduction efforts. The paper advocates refocusing existing approaches in policy modeling to show greater sensitivity to the varied effects of policies at different scales. He finds flaws in existing policy models, which tend to treat policy at only a single scale. For example, macroeconomic models address only macroeconomic aggregates and sectors defined in the system of national accounts, and microeconomic models tend only to model the individual behavior of firms, households, or farms. The paper outlines alternative analytical approaches that permit the consideration of development policies and their effects at multiple scales.

The paper *Marginalization in a Globalizing World: Some Plausible Scenarios and Suggestions for Measurement** by Kaushik Basu, Professor, Department of Economics, Cornell University, argues that the definition of the poor should be changed from one based on absolute income-metric poverty to one based on relative poverty. Citing moral and practical considerations, he advocates that policies be focused to assist individuals whose incomes place them in the lowest quintile of the income distribution, rather than those with per capita incomes below defined poverty lines. While he considers that globalization holds out potential benefits for everyone, he takes the time to describe how globalization can marginalize various individuals and groups; he argues that development should be measured in ways that correct for increased marginalization, and that policymakers' concern should focus on facilitating the participation of such groups in the growth process.

The presentation by Branco Milanovic, Lead Economist, The World Bank, *Conflict Between Horizontal Equity and Maximum Poverty Reduction, How Best to Allocate Funds to the Region: An Empirical Analysis†*, poses the question of how best to allocate scarce development expenditures across regions in order to reduce poverty, when regions vary in terms of their poverty incidence and their efficiency in delivering services to the poor, particularly when regions vary in their capacity to target the benefits of development initiatives to the poor. He examines the trade-off between horizontal efficiency (by which he means budget allocation proportionate to the number of poor in a region) and the poverty reduction impact of development expenditure, and develops the framework within which this crucial tradeoff can be used to answer the question whether it could be optimal, from the point

of view of national poverty reduction, to transfer more funds to the richer regions that are better at translating development expenditures into welfare improvements for their poor citizens. Both the analytical and empirical results (from data on regional growth rates, development expenditures, and poverty reduction rates based on detailed household surveys in six East European countries) imply that greater poverty reduction can be gained from reallocation of funds based on regional efficiency in translating expenditures into poverty reduction, rather than horizontal efficiency. The magnitude of poverty reduction efficiency gains varied from 2 percent to 19 percent across the six countries examined. The empirical analysis also finds that targeting efficiency declines with increases in available development funds. The paper concludes by deriving the conditions for the optimal interregional allocation of funds under the condition of a given overall fiscal envelope and a given level of regional efficiency in targeting.

6. Macroeconomic Considerations, Increased Global Trade, and Pro-Poor Growth

a. Macroeconomic factors

The links between macroeconomic policy—exchange rate regimes, levels of debt, terms of trade—and poverty reduction are not obvious. Several papers and presentations prepared for the Forum attempt to make explicit the relationship between these and other macroeconomic considerations and the welfare and future betterment of the poor.

The keynote address by Nobel Laureate and Professor of Economics at Columbia University Robert Mundell addresses *Poverty, Growth, and the International Monetary System*⁺. It explores the relationship between growth, poverty, and the international monetary system: (i) good and bad policies with respect to the international exchange rate system, (ii) the prospects and potential for an Asian currency, and (iii) reform of the international monetary system. Before discussing the subject, Mundell speaks about key trends in the world economy that are likely to affect poverty and growth. He then traces the history of the international monetary system from the time it was anchored on gold, silver, or both precious metals to the postwar era of fixed exchange rate systems or flexible exchange rates. Next, he analyzes problems of Asian currencies to explain how exchange rate fluctuation was a fundamental causal factor in the 1997 Asian crisis; a credible, fixed, and stable exchange rate system might have mitigated if not prevented the crisis. A major barrier to the implementation of fixed exchange rates, however, is the volatile exchange rate of the two dominant currencies in the region: the Japanese yen and the US dollar. Admitting that the prospect of a single currency is less likely in Asia than in other regions, Mundell nevertheless emphasizes that the need for such a currency exists. Continuing dialogue on setting up a common currency and Asian Monetary Fund is imperative for the region's policymakers. This initiative should be pursued in the context of global development and strategic exchanges of ideas, in order to effect comprehensive reforms that are necessary to improve the international monetary system, sustain and distribute growth, and significantly reduce poverty.

The paper *Macroeconomic Policies and Poverty Reduction: Stylized Facts and an Overview of Research*⁶ by Ratna Sahay, Paul Cashin, Paolo Mauro, and Catherine Pattillo, all of the IMF, reviews recent research on the links between macroeconomic policies and poverty reduction, and examines the impact that policy can have on the level and distribution of income. Policies considered include inflation controls; trade liberalization; management of external debt; strategies to cope with economic crises; and macroeconomic stabilization programs involving currency devaluation, shrinking fiscal imbalances, increases in growth, and decreases in inflation. The authors estimate and discuss the association between these measures and the Human Development Index (HDI) across 100 countries during the period 1975 to 1998. The analysis broadly supports two conclusions: poverty can be reduced by promoting growth in per capita gross domestic product (GDP), and by increasing the share of those resources that go to the poorer segment of the population; and sound macroeconomic policies in developing countries—lower inflation, lower external debt, better rule of law, lower black market premiums, and reduced frequency of financial crises—foster improvements in HDI.

In 1999, the World Bank and IMF responded to a vociferous international campaign for debt relief for very poor countries by introducing an Enhanced Heavily Indebted Poor Country (HIPC) Initiative. The presentation by Roy Culpepper, President, North-South Institute, Canada, and the paper by John Serieux, Researcher, North-South Institute, *Journeys Through the Debt Pipeline: Perspectives on Five Country Experiences With Debt Relief*⁷ report on the experience of Bolivia, Ethiopia, Mali, Nicaragua, and Uganda in the program. Budgetary savings from debt relief, the authors conclude, will be significantly less than the actual debt relief, and will be temporary, as, following an initial decline, debt service levels in all five countries are expected to resume their earlier growth. This is because avoiding indebtedness requires consistent growth in output and exports that these countries have never been able to sustain. The Enhanced HIPC Initiative also made explicit a link between poverty reduction efforts and debt relief, but such efforts have engendered budgetary requirements that HIPC flows alone cannot fulfill. The authors conclude that debt relief can be only a part of the long-term solution to the problem of poor countries' debts to rich countries; over indebtedness appears to be neither purely self-imposed nor accidental, and without a solution that addresses the modalities for delivery of development financing, HIPC debt relief may provide only a respite between crises.

b. Trade and poverty

The paper by David Dollar, Research Manager, and Art Kraay, Researcher, in the Macroeconomics and Growth Team of the World Bank, *Trade, Growth, and Poverty*⁸, examines data on trade and poverty incidence of a group of they call “globalizers”—developing countries that have implemented large tariff cuts and experienced large increases in trade volume and foreign investment in the past 20 years—and other developing countries. They find that these countries experienced GDP growth of 5.2 percent during this period, while rich countries and nonglobalizing developing countries experienced decelerating growth. Through cross-country regressions and examination of within-country variation over time, they show that changes in trade volumes have a strong positive relationship to

changes in growth rates. They also show that there is no systematic relationship between changes in trade volumes and changes in household income inequality; in fact the acceleration in growth rates that accompanies expanded trade translates into proportionate increases in the income of the poor. Thus, absolute poverty fell sharply in the globalizing developing economies in the past 20 years.

In *Implications of Globalization for Poverty Reduction Efforts in Asia and the Pacific*[†], Linda Low, then Consultant, Singapore Trade Development Board, broadly surveys the present understanding and evolution of globalization in its many aspects. While she shows that globalization is inexorable and inevitable, she maintains that its negative effects—such as job and wage insecurity, growing inequality, marginalization of some groups, loss of state control over the economy, plunder of natural resources, destruction of communities, etc.—while often blamed on the activities of multinational corporations, more often result from the deficiencies of national governments: corruption, lack of capacity, inability to cope with new concepts, application of the wrong kinds of interventions. She distinguishes among groups trying to roll back, improve, or transform globalization. As to poverty reduction, she believes strategies to help the poor should draw on the strengths of globalization: tapping into multinationals' expertise, utilizing the additional resources it makes available, insisting on corporate responsibility. One way of doing this is to address old and new issues of poverty reduction simultaneously, by directing human resource development and education to information and communications technology and a knowledge-based economy.

c. What is pro-poor growth and how is it achieved?

Is there a trade-off between maximizing growth and maximizing poverty reduction? Is maximizing growth the best strategy for reducing poverty? Are some growth strategies more pro-poor than others? This part of the present volume reproduces selected papers focusing on these and similar questions about pro-poor growth.

The paper *Growth Strategies and Poverty Reduction*[#] by Siddiqui Osman, Professor of Development Economics, University of Ulster, United Kingdom, begins with the recognition that there is a strong growth-poverty nexus, but maintains that the correlation is not perfect and the relationship between growth and poverty is influenced by an array of factors. Using a conceptual framework outlining a set of relationships among growth, inequality, and poverty based on both statistical studies and theoretical discussions, the paper shows that there are indeed trade-offs: not only does it not necessarily follow that faster growth will reduce poverty faster, but the strategy of maximizing growth can lead to increased inequality, thus undercutting poverty reduction. He then evaluates the potential for poverty reduction of three much-discussed growth strategies: export-oriented trade policy, agriculture-led growth policy, and reforms intended to redistribute wealth and promote equality. He shows that trade policies alone cannot achieve pro-poor economic growth without complementary policies to overcome the disadvantages of the poor. An agriculture-led growth strategy may be the best way to reduce poverty in those countries that are still primarily agricultural, but is not without the potential for growth-equity conflict; and together with an emphasis on redistribution and the achievement of greater

equality within a relatively open trade regime, agriculture-led growth can probably have the optimum impact on poverty.

In their paper *Pro-poor Growth and Pro-growth Poverty Reduction: Meaning, Evidence, and Policy Implication*[#], Robert Eastwood, Senior Lecturer in Economics, and Michael Lipton, Professor, University of Sussex, assess the large numbers of factors relating to definitions and methods of measurement that impede conclusive answers to the question of whether growth is good for the poor, and conclude that on average, declines in poverty tend to be faster when growth is faster. After sifting through conflicting findings, they find that the “elasticity of connection” linking the mean income of the poor to national mean income shows that growth by itself does not redistribute income. The nature of inequality matters: growth may be relatively anti-poor in countries where levels of inequality are high, especially “ascribed” inequality (based on discrimination by ethnic group, inheritance, gender, or status) rather than “achieved” inequality (resulting from ability to get good returns from inputs). In a final section, the authors make a common-sense inquiry into what types of policy regimes are more closely linked to favorable impacts on poverty. Items proposed for testing later when better data are available are: (i) achieving labor-intensive growth in staple food production; (ii) enhancing the impact of cheaper food and higher demand by stimulating smaller-scale farming through land redistribution; and (iii) increasing incentives to reduce fertility through lower child mortality, female education and work options, and family planning for the poor.

In *A Note on Growth and Poverty Reduction*[†], Nanak Kakwani, Professor, University of New South Wales, Australia, asserts that while economic growth and poverty reduction are strongly and positively correlated, poverty reduction is also correlated with income inequality: increasing average income reduces poverty and increasing inequality increases it. He presents formulas to show the intuitive points that economic growth reduces poverty more rapidly when it does not increase the degree of inequality, that increasing inequality will have a greater adverse effect the greater the depth of poverty, and that the greater the inequality in a country, the more economic growth is needed to offset it. If inequality in a country is high, therefore, growth-maximizing policies may need to be accompanied by pro-poor growth policies that can help redistribute the income growth more widely. Mr. Kakwani then calculates these formulas using data from four Asian countries—the Republic of Korea, Thailand, the Lao People’s Democratic Republic, and the Philippines—and shows the large variation in individual countries at different stages of development. This is taken to suggest that the same policy prescriptions will not be adequate for all countries.

One of the most technical papers presented at the Forum explores the measurement and analysis of poverty within a general equilibrium framework. Erik Thorbecke, H.E. Babcock Professor of Economics and Food Economics, Cornell University, in *Poverty Analysis and Measurement Within a General Equilibrium Framework*^{*}, begins by describing the Social Accounting Matrix (SAM), a comprehensive and disaggregated snapshot of a socioeconomic system that allows for the estimation of the impact of different production activities on poverty alleviation. Computable general equilibrium (CGE) models describe the interaction and interdependence within a socioeconomic system, as well as the structure of the economy, and thus allow the improved understanding and analysis of the indirect as well

as the direct effects of policies and shocks on sectors of production on populations disaggregated according to their level of income and poverty status. CGE models, which are derived from SAMs, are used to simulate the effects of exogenous shocks (e.g., changes in terms of trade, recession in importing countries) and of changes in policies on the socioeconomic system and, in particular, on income distribution. The CGE model developed in the paper adds a more flexible income distribution function, specifies intragroup distributions to conform to different group characteristics, and postulates a unique and constant basket of basic needs commodities. These help in analyzing what happens to poverty following a shock. Using a model for an archetype African economy, the paper considers the poverty effects of two simulations: a reduction in the world price of the agricultural export crop and an import tariff reform.

While economic growth is associated with poverty reduction, its effectiveness in reducing poverty varies across countries, according to the paper *Poverty Reduction and Economic Growth: the Asian Experience* by Peter Warr, John Crawford Professor of Agricultural Economics, The Australian National University. He asks, how much does the nature of the economic growth matter and what kinds of growth reduce poverty most effectively? Looking at the experience of six countries—India, Thailand, Indonesia, Malaysia, the Philippines, and Taipei, China—during the period spanning the 1960s to the 1990s, Warr finds that the relationship between the incidence of absolute poverty and economic growth was the same in all six economies. He argues that this indicates that it was primarily the rate and not the quality of per capita growth that was important in determining changes in poverty in these countries, as growth rates of GDP per capita followed roughly the same pattern as poverty trends. Rates of poverty reduction varied widely, however, from 1.86 percent per year in Thailand to 0.67 percent per year in India. The proportional change in the incidence of poverty is the same: in more open economies, such as Taipei, China, the growth elasticity of poverty reduction was highest and in the least open, such as the Philippines and India, the figures were the lowest. Thus, he argues, a pattern of development such as Taipei, China's labor-intensive, export-oriented industrialization leads to greater reduction in poverty *per unit of growth*.

7. Good Governance and the Fight to Reduce Poverty

Effective governance is management and is critical to the capacity of the State to reduce poverty. As described by various speakers, good governance facilitates participatory and pro-poor policies as well as sound macroeconomic management. It ensures transparent use of public funds, encourages growth of the private sector, promotes effective delivery of public services, and helps to establish and enforce the rule of law. The nature of governance determines the availability and quality of public services and the extent to which the poor have access to them. It has been noted that effective governance is often the missing link between antipoverty programs and poverty reduction. Countries may implement pro-poor economic policies, but the gains can be reversed if governance is ineffective. In the absence of good governance, the poor suffer the most. Inefficient management of limited public resources, as well as corruption and wastage, result in ineffective poverty reduction programs.

The papers and presentations on the theme of good governance and participation include the following:

The presentation *Pro-Poor Governance for Reducing Poverty*[†] by Clay Wescott, Senior Public Administration Specialist at ADB, gives a brief overview of ADB initiatives in fostering pro-poor governance, which he defines as “the manner in which power is exercised in the management of the country’s social and economic resources for development.” The presentation discusses (i) how ADB uses the term, (ii) how good governance helps the poor, (iii) examples of pro-poor governance, and (iv) how ADB supports pro-poor growth. It also highlights the need for institutional mechanisms to promote participation and empowerment of the poor by delivering high-quality services.

The presentation *Legal Literacy and Poverty Reduction*⁺ by Hamid Sharif of ADB’s Office of the General Counsel outlines how the rule of law and development are linked. Various theoretical perspectives pinpoint the increasing role of law in development, and Sharif reviews examples of pro-poor legal frameworks and initiatives by governments and NGOs. For example, in instituting governmental reforms, the promotion of legal literacy and the rule of law have been important measures in ADB’s recent experience. The presentation also outlined efforts by ADB to foster institutional and policy reforms that reduce poverty in the region.

Laura Pascua of the Philippines’ Department of Budget and Management presented *Operationalizing Multi-Year Budgeting Systems in the Philippines, a Key to Reducing Poverty*⁺. It describes how medium-term budget management by the Philippine government—as opposed to year-to-year budgeting—is a potent tool for fostering growth and reducing poverty, through fiscal discipline, macroeconomic stability, improvement in the portfolio of programs, and fostering a culture of performance and accountability. The presentation describes the strengths and weaknesses of a multi-year budgeting system and how the Philippine government is installing such a system. Pascua argues that reform of the budget system is necessary for poverty reduction, because this reform enables more effective allocation of resources to areas where poverty can be confronted.

Another session of the Poverty Forum considered the role of stakeholder participation in poverty reduction. Speakers in the session included Gordon Wilkinson, then Senior Social Development Specialist of ADB’s Social Development Division, who chaired the session; Bhuvan Bhatnagar[†], East Asia Senior Social Scientist of the World Bank’s office in Manila; Brent Dark[†], Senior Poverty Reduction Coordinator of ADB’s Programs Department (West); and Bruce Moore, Coordinator of the Popular Coalition to Eradicate Hunger and Poverty. Kari Nordheim-Larsen[†], Philippine resident representative of UNDP, and Fr. Francis Lucas[†] of the Asian NGO Coalition for Agrarian Reform and Rural Development critiqued the papers in the session.

Some of the major points of discussion at the seminar include the following:

- Externally imposed reforms are rarely successful. To be effective, reforms must be grounded in local realities and developed in coordination with stakeholders, and to have a sustained impact they must be implemented with civic involvement.
- Multilateral lending institutions now routinely apply participatory approaches in the development of projects and programs. Putting these efforts into action in Asia has yielded a wealth of information and experience that has begun to inform country poverty reduction strategies.
- The findings of these participatory processes must be linked to policy (i.e., combine a participatory process with substantive decision-making).
- Developing genuine participation takes time, as it involves building credibility and trust between development organizations, governments, and stakeholders. This need for time often conflicts with developing country policymakers with concerns about delaying their access to the concessional resources.
- The issue of coordination of poverty strategies and participatory efforts of the different aid providers merits greater attention. It was suggested that host countries take a lead role in developing a single poverty reduction strategy in which all development organizations are given a role.
- More work is needed to develop adjudication processes and mechanisms to help resolve disagreements that arise between developing countries and multilateral lenders on the course of poverty strategy development. Clearer understanding is needed of the underlying priorities (e.g., economic criteria, satisfaction of participatory objectives, etc.) and the basis upon which poverty strategies will be evaluated.
- Better communication via information and communication technology and mass media hold great promise in fostering greater stakeholder participation in policymaking. Worthwhile participation by all stakeholders demands that stakeholders have access to the information needed to implement, monitor, and evaluate poverty reduction strategies.

The presenters also discussed the ways of achieving effective integration of process and policy. Recommendations included: (i) poverty diagnosis carried out by development organizations should include self-assessments by the poor of the characteristics and determinants of poverty. The findings of such self-assessments often differ from diagnosis obtained from analysis of government statistics. For example, villagers in the Lao People's Democratic Republic (PDR) taking part in an ADB participatory poverty assessment overwhelmingly cited problems with land tenure, which is strongly influenced by government policy, as the chief cause of their poverty; (ii) It is important to feed back the results of participatory research to the communities where the research is carried out. The process can help validate findings and provide an additional opportunity to solicit stakeholder views. It can also foster initiation of local processes to identify and carry out local solutions to identified problems and help foster better appreciation of what participation can achieve; (iii) Gaining an understanding of public expenditures through reference to a printed budget is often difficult for many people, especially individuals with lower levels of education, a situation that is common among the poor. However, fostering reform efforts and informing

people's understanding of their economic circumstances often benefits from public expenditure review exercises when they are carried out with stakeholders' inputs. It should be the responsibility of aid providers to help poor people understand budgets, since such understanding can foster more enlightened participation in public debates and foster broader ownership and buy-in by the population—as well as the government—of development initiatives; and (iv) In countries where institutions for democratic decision-making are not well established, it is often necessary to find a “champion” of policy change at the upper levels of government in order for efforts to foster greater participation at the local level to be successful in influencing poverty reduction strategies.

8. The Role of Civil Society and the Private Sector in Poverty Reduction Efforts

Several papers and presentations at the Forum considered the role of the private sector and civil society, and examined the linkages between the private sector and poverty reduction. Christine Wallich, then Director of ADB's Private Sector Group, chaired the session. In her opening statement, *Soft Hearts and Hard Heads: the Private Sector's Centrality to Poverty Reduction+*, Wallich outlined for discussion five possible linkages: (i) sustainable job creation, (ii) private-sector finance of infrastructure that creates space in government budgets for social expenditures, (iii) creative concession projects that make infrastructure services readily available to the poor, (iv) corporate social responsibility or responsible corporate citizenship, and (v) privatization of poverty reduction. Indeed, the private sector and civil society play a pivotal role in poverty reduction. Studies show that the private sector and civil society reduce poverty through the following actions: (i) fostering markets and growth, hence, generating jobs; (ii) providing infrastructure and increasing resources available for public spending on social expenditures; (iii) regulating private utilities to ensure that the poor have access to better and more affordable services; (iv) encouraging responsible corporate citizenship to foster closer ties between the private sector and the community; and (v) forging public-private partnerships that can facilitate greater access to basic municipal services by the poor

The Privatization of Poverty Alleviation+ by Senator Mechai Viravaidya of Thailand centers on the key players in poverty alleviation and their role in Thailand: the government, poor communities, NGOs, civil society, and the private or corporate sector. His presentation poses the question, Why are people poor? His simple and direct answer is that they are poor because they lack the opportunity and skills to engage in business. The Thai government adopted a development framework that harnessed the resource base of specific poor communities to building the capacities of people to engage in livelihood and enterprise projects, mobilizing resources particularly from the private sector, and fostering self-reliant communities. Viravaidya cites various development initiatives linking the private sector to poverty reduction, and commends the Promotion of Rural Industrial Development Project, implemented by the Population and Community Development Association, a large NGO in Thailand that he founded, as a good model for the privatization of poverty alleviation. When capital, machines, and income-generating activities are brought to rural areas, the problem of rural-urban migration is reduced and the destruction of the social fabric is

minimized. The presentation also highlights the increasing role of the private sector, NGOs, and civil society in poverty alleviation, as the government tries to refocus its role from provider of needs to a facilitator of services.

The paper *Public-Private Partnership in Infrastructure and Poverty Reduction: The PPIAF Experience* by Russell Muir, Program Manager, Public-Private Infrastructure Advisory Facility (PPIAF) of the World Bank, explains the linkage between infrastructure and poverty reduction based on the experiences of the PPIAF. He establishes the link between infrastructure, growth, and living standards of the poor as they relate to poverty reduction based on a number of studies reviewed in the paper. The traditional approach based on publicly financed and managed infrastructure provision has brought about only limited access, generally poor quality of services, and muted impact on the poor. The approach has failed largely because public monopolies lacking competitive incentives and suffering from political influence in their management and personnel decisions have often provided inefficient and inadequate services to the poor. Hence, governments are increasingly re-examining their roles as providers of services that benefit the poor, and instead transforming their roles to those of facilitators and regulators. The PPIAF, established in 1999, facilitates private sector involvement in the provision of infrastructure to help eliminate poverty and promote sustainable development. This effort revolves around five key efforts: (i) framing infrastructure development strategies to take full advantage of private involvement; (ii) building consensus in favor of appropriate policy, regulatory, and institutional reforms; (iii) designing and implementing specific reforms; (iv) supporting the design and implementation of pioneering projects and transactions; and (v) building local capacity to provide appropriate regulation of private service providers. To date, PPIAF has received some 250 proposals amounting to \$64 million; of these, 118, amounting to \$25 million, have been approved.

Lisette Provencher, Advisor, Maynilad Water Services, Inc., Philippines Office, Lyonnaise des Eaux Company, presented the paper *Private Sector Approaches to Water Supply and Sanitation for Low-Income Communities*. The paper describes new approaches and partnerships between the public and private sectors in the provision of water supply services. Projects in Argentina, Bolivia, the Philippines, and South Africa provide examples of innovative approaches to water management, focusing on adequate supply of potable water to low-income communities. Four key elements in designing partnerships across the public sector, private companies, and users ensure provision of adequate and efficient supply of water in poor communities: (i) an institutional framework that clearly defines the conditions and level of services and the terms of partnership among stakeholders; (ii) cost effective technologies that provide affordable services to participants; (iii) support to community development that is participatory and involves the community in the choice of technology to be used, level of service, and payment option; and (iv) appropriate tariffs that require users to pay for the real cost of the services provided, to insure sustainability and effective delivery of services. In Manila, the “Community Water for All” program has provided more than 500,000 people with affordable, safe, and accessible water since 1999. By the end of 2001, some 1 million people, mostly in poor communities, were expected to benefit from this project.

The paper *Paths Out Of Poverty: The Role of Private Enterprise in Developing Countries*⁺ by Guy Pfeffermann, Chief Economics Advisor, International Finance Corporation, underscores the link between poverty reduction and private enterprise. It focuses on the sources of economic and social mobility, emphasizing concrete mechanisms that lift people out of poverty. Pfeffermann maintains that although private enterprise plays a unique and irreplaceable role, private enterprise alone, regardless of its form or success, cannot reduce poverty. Instead, competition, deregulation, liberalization, and open trade—elements of the economic environment determined by the State—are each important, and work to weaken privilege and monopolistic or oligopolistic market arrangements that perpetuate poverty in many countries. The paper highlights the positive impact private enterprise can have on poverty as firms create new jobs. At the same time, pressing problems such as graft, corruption, lack of stable macroeconomic policies, criminality, and political instability hamper sustainable growth and private investment. Addressing these problems helps create a positive business climate, which increases investment and creates employment opportunities for the poor. Accordingly, private enterprise requires support of the State to help curb poverty. Clearly, as in the case of Singapore and elsewhere, private enterprise, government, and the poor share a mutuality of interest. Policies and practices that can harness these common interests and foster poverty reduction include sound macroeconomic policies, provision of infrastructure, rule of law, and sustainable economic expansion.

In his presentation *Corporate Citizenship and Ethical Trade*[†], Christopher Chalmers, Programme Manager, for DFID, notes that good corporate citizenship—when companies maintain better working conditions, safeguard the environment and natural resources, and emphasize training and education, for workers and for society as a whole—has a direct impact on poverty. Good corporate citizenship also has indirect benefits: greater consultation and openness at all levels of corporate activity raises awareness among stakeholders. The sustainability of investments made by corporations with strong records in terms of their civic responsibility is greater, and ethical market behavior leads to a more stable society that benefits everyone. Mr. Chalmers maintains that behaving like good corporate citizens benefits the corporations themselves in the long run, as it enhances companies' reputation[‡]; helps them in managing, motivating, and retaining employees; improves the efficiency and quality of corporate performance; and makes risk management easier.

Former Ambassador Jesus Tambunting, CEO of Planters Development Bank, presented the paper *A Credit Model for Small Entrepreneurs and e-planters.com: The Planters Bank Experience*⁺, describing the experiences of the bank in fostering small and medium enterprises (SMEs) as a lead sector in stimulating Philippine economic development, and eventually helping in poverty alleviation—particularly in the countryside. As in most other countries, SMEs contribute significantly to income and employment generation, but continue to be hampered by a lack of financing, as banks continue to view them as risky, costly, and difficult to deal with. Given the strengths and weaknesses of the SME sector, Planters Development Bank (PDB) took up the challenge and built upon its commitment to the community. Since its inception in 1972 with an asset base of 6 million Philippine pesos (PhP), PDB has grown into a PhP20-billion development bank, with ADB, the International Finance Corporation, and the Netherlands Development Finance Company among its institutional partners. The

paper outlines five ingredients of its success: (i) organizational focus and commitment to SMEs, (ii) profit orientation and mindfulness of the need to remain viable in business, (iii) hands-on management of credit risks, (iv) long-term orientation and development perspective, and (v) ability to capitalize on identified strengths through simple operations and client-oriented company culture. Looking ahead, Tambunting envisions a pioneering approach in electronic commercial banking as it continues to serve a critical segment that contributes to economic growth and poverty reduction.

In her presentation *Dealing with Fallout from Privatization: Can Entrepreneurship and SME Support Help?*† Ewa Tomaszewska, Solidarity member of the Polish Parliament, describes how state-owned enterprises (SOEs) were dismantled in her country when it made the transition from a centrally planned to a market-based economy in the 1990s. Prior to the economy's transformation, nearly all Polish workers had been employed in SOEs and unemployment was negligible. Today, about 60 percent work for privately owned companies, but unemployment has risen to 16 percent of the work force. The rise in unemployment has driven many into poverty. The Solidarity trade union, one of the principal organizations that pressed for economic and social reforms in Poland, found that economic reforms were adversely affecting its members. The trade union pushed for government measures to (i) make the privatization process more democratic, (ii) ensure that measures were adopted to protect employees' interests, (iii) provide retraining and job search assistance programs to assist workers displaced by the SOE privatization, and (iv) implement policy change to create a business environment more friendly to private enterprise and entrepreneurship. These measures were financed, in part, through a job fund created with employers' contributions. Workers also received shares of stock for free or at discount prices in the new private enterprises formed from former SOEs. The transition experience of Poland reveals that promoting SMEs helps reduce unemployment. Unfortunately, efforts to foster SMEs have been less successful than was hoped due to an environment that continues to be unfavorable to small business development.

According to Bruce Moore's paper, *Using Assets and Partnerships to Address Rural Poverty*†, the interactions between poverty, food security, and resource rights are beginning to bring about a refocusing of national and international agendas on problems of land tenure and the resource rights of farmers, fisher folk, forest dwellers, pastoralists, and other traditional resource users, i.e., the rural poor. In this light, the reform of agricultural policy and rural institutions should seek to change power relations and the distribution of resources. Development and reform efforts should seek to change land tenure, the access of the poor to credit and other markets, and to transform the poor into active participants in policies and programs that affect their communities and livelihoods. New partnerships that broaden the approach to poverty reduction are necessary. Mr. Moore explains how the Popular Coalition to Eradicate Hunger and Poverty helps form alliances of civil society organizations, NGOs, governments, rural communities themselves, and international development organizations to achieve this aim. The Coalition uses knowledge networks and seeks to capture lessons learned from practical efforts to equip the rural poor with the wherewithal to address the problems and issues they face. The coalition aims to politically empower communities seeking agrarian reform.

Bruce Moore's presentation at the Forum, *From Parallel Actions to a Common Agenda*, traces the history of poverty reduction strategies, and highlights recent experiences to show how government-led development fails without the active support of civil society, while, simultaneously, development and poverty reduction efforts of civil society fail without the institutional support of government. This points to the need for revitalized alliances linking governments to civil society organizations and to the moral and financial persuasion of the international community. The presentation examines the origins, vision, and activities of the Popular Coalition to Eradicate Hunger and Poverty, a coalition of civil society and intergovernmental organizations that specifically focus on the needs of the rural poor. The presentation draws from Moore's experiences with the Popular Coalition, but the insights from this experience can inform organizations, regardless of their sector-specific interests, about the modalities that harness the energies of different actors into a coordinated mechanism for reducing poverty. The lessons learned are also transferable to other civil society, government, academic, business, intergovernmental, and aid provider efforts to forge collaborations that reduce poverty.

By discussing the role of civil society and the private sector in poverty reduction efforts, participants have developed a better understanding of this role, and have been able to recognize more readily the positive relationship between private enterprise and the public and civil society sectors. The major challenge identified is to redefine and enhance the role of government as a facilitator and mediator that promotes productive competition, enforces fair market practices and standards, implements innovative approaches to service delivery, and insures that essential services reach the poor through partnership with the private sector and civil society.

9. Special Topics: Targeted Poverty Reduction Mechanisms

Most countries in Asia have made use of targeted poverty reduction mechanisms to create assets and employment among individuals, communities, and regions stricken by poverty. These countries have adopted programs that promise to increase human capital, generate income, and stimulate employment opportunities. When poverty reduction efforts have failed, it has frequently been the result of incorrectly targeted programs, corruption, poor choice of investments, or poor loan recovery. The Forum papers and presentations in this section discuss experiences in reducing poverty, generally focusing on particular markets or sectors of the economy, or on particular demographic groups as the intended beneficiaries of poverty reduction efforts.

a. The role of labor market and labor policy in poverty reduction

The paper *Poverty Alleviation, Employment, and the Labor Market: Lessons from the Asian Experience*⁺ by Rizwanul Islam, Director, International Labour Organization, describes the roles played by the employment and labor markets in reducing poverty in Asia, and reviews Asia's experience with direct labor market interventions, focusing on their performance in targeting efficiency, coverage, and the ability to raise incomes. The paper discusses policies

and programs covering issues related to the “working poor,” labor market regulations, vulnerability, and organizations that are required to strengthen the contribution of labor market outcomes to poverty reduction.

In his paper *Inequality and Determinants of Earnings in Malaysia, 1984–1997*[†], Branko Milanovic utilizes household income surveys covering three years to examine the changes in the characteristics of the working-age population that determined earnings levels. The paper also measures the inequality of earnings and the factors associated with changes in inequality over time. The years covered in the survey were a period of strong growth in which real per capita gross domestic product increased by about 70 percent and real wages of manufacturing workers rose by about 30 percent. Labor force participation rates and average years of schooling increased for both men and women during this period. In fact, growth seems to have been fuelled mainly by increased participation, longer working hours, and improvement in the education of workers. Inequality of earnings remained stable as measured by the Gini coefficient, but other measures show greater wage improvement among bottom deciles and decreases at the top. Women are discriminated against in terms of their earnings, receiving salaries that are 16–20 percent lower than those of men. The level of male-female wage disparity increased over the years examined, and workers of Chinese ethnicity commanded an average wage premium of about 31 percent as compared with non-Chinese workers, according to the data examined in the study.

**b. Designing poverty reduction efforts to serve the needs of selected groups:
Particular concerns of women and indigenous peoples in poverty**

In *Gender Dimensions of Poverty in Pakistan*⁺, Rehana Siddiqui, Senior Research Economist, Pakistan Institute of Development Economics, notes that the role of females, as productive agents, is becoming critical in a rapidly changing Pakistan. The role of gender in reducing poverty is equally important. The gender dimensions of poverty should be assessed not only in terms of poverty of income but also in terms of human capital acquisition, limited occupational choice, and labor market discrimination. Improvement in human capital formation (education and learning) is important in increasing women's economic involvement and a reduction in gender-based poverty.

In her paper *Poverty and Gender in India*⁺, Enakshi Ganguly, Executive Director, HAQ: Center for the Child's Rights, New Delhi, stresses the magnitude of poverty in India and argues that women are the “poorest of the poor.” She underscores the importance of the following: (i) policies and poverty alleviation efforts must have a strong gender focus; (ii) intra-household and regional gender imbalances must be addressed; (iii) better inputs in health care, education, and the empowerment of women (including recognizing their contribution to the economy and expanding opportunities for them) must be provided; and (iv) gender equality must be mandated and enforced.

As a result of Cambodia's three decades of civil strife and social dislocation, from which the country is only now emerging, the female dimension of poverty is quite different from that in other Southeast Asian countries, says H. E. Katha. P. Ing, Secretary of State, Ministry of

Women's and Veteran's Affairs, in her presentation *Gender and Poverty: Cambodia's Experience*†. Today 19 percent of households are headed by women, including many war widows or single women of fairly young age. The country has one of the highest female labor force participation rates in the region at 74 percent, dominating in skilled agriculture and fishery and in wholesale and retail trade. But female illiteracy is at 78 percent (for a poor family the cost of a child in primary school is equivalent to one quarter of all nonfood spending), a nutritional crisis situation is especially hard on women and children, and medical expenses represent 30 percent of family expenditure.

In Indonesia, poverty did not significantly feminize during the 1990s, reports Mayling Oey-Gardiner, Senior Lecturer, University of Indonesia, in her presentation *Poverty and Gender of Household Heads*†. The share of woman heads of household in the poorest quintile of expenditure classes remained stable at 11 percent. Women heads of household are older than men in all quintiles and three quarters of them had little or no education; women headed households are smaller (and women are eight times as likely to live alone as men), but poor households are larger, so poor households headed by women are worse off. Like the population in general, most poor women heads of households live in rural areas.

In her presentation *Gender, Women and Poverty: Engendering Poverty Programs Empowering Women*†, Lorraine Corner, Regional Program Director, United Nations Development Fund for Women, shows that the feminization of poverty is structural: women's work is often unpaid and ignored, economic and political structures are dominated by men and so reflect the needs and views of men, and the market economy privileges economic values over the social dimension that is traditionally female. In addition, legal systems, inheritance practices, financial and employment practices, and gender stereotypes militate against women's ownership of land and capital and their access to credit, technology, and well-paid employment. To eliminate this kind of poverty, creation of a level playing field is needed, including gender mainstreaming and budgeting, creation of a value for unpaid (usually women's) work, and more nearly equal participation by men in unpaid family work as a policy objective.

Indira Simbolon, ADB Social Development Specialist, considers the situation of indigenous peoples in developing countries in her presentation *Indigenous Peoples in ADB Loans Preparation*†. Because indigenous people have a social or cultural identity that differs from that of members of predominant social groups, they are often vulnerable to being disadvantaged in the development process. ADB is prepared to intervene to help protect indigenous peoples in Asian developing countries when the intervention is seen to be consistent with their needs; conceived, planned and implemented with their informed participation; and compatible with their culture and socioeconomic institutions. An Initial Social Assessment is carried out to determine who might be affected by a development plan—for example, through effects on customary rights and access to land resources. Such plans can help avoid or reduce the impact of project-related changes that can detrimentally affect the integrity of indigenous communities or adversely effect their health, education, livelihood, and social status. If impacts of a proposed project on indigenous groups appear substantial, ADB will develop an Indigenous People's Development Plan to address and mitigate any adverse effects.

c. Rural development and natural resource management

A main mechanism through which the modest reductions in poverty in Asia in the past four decades have been achieved has been the decline in the real price of staple foods through the introduction of high-yield wheat and rice varieties and improvements in rural infrastructure. Unfortunately, the positive effects of seed improvements appear to be declining, according to Mahabub Hossain, Economist and Head, Social Sciences Division and Leader, Rainfed Lowland Rice Ecosystem, International Rice Research Institute (IRRI), in his paper *The Role of Agriculture in Poverty Alleviation: Insights from Village Studies in South Asia and Southeast Asia*[†]. Today the fastest-growing rural sector is rural nonfarm activities—trade, business, construction, transport, agroprocessing, and various kinds of services—and incomes from rural nonfarm sources are growing much faster than agricultural income. The role of agriculture in poverty reduction, therefore, is to increase foodgrain supplies through technological advancements so that the price of staple food is kept within affordable limits for the poor, both rural and urban. This is a necessary condition for the accumulation of capital and the development of markets for nonfarm goods and services, and also for the competitiveness of industries, the accumulation of industrial capital, and socioeconomic and political stability.

The presentation *Biotechnology as a Tool in Poverty Reduction Efforts in Asia: Opportunities and Challenges*[‡] by Ronald Cantrell, Director General of IRRI, discusses the role of biotechnology in developing countries and carries important implications for future rural development in Asia. The presentation focuses on IRRI's work applying biotechnology to develop enhanced rice seed varieties. IRRI is evaluating new strategies and options biotechnology offers and is working with partners in rice-producing countries to develop strategies suitable for developing countries. Cantrell reviews some accomplishments and strategies in molecular biology for rice breeding, including the establishment of the world's largest rice gene bank and the development of new rice strains such as the beta-carotene-enriched "golden" rice. His presentation outlines the challenge of obtaining a completely sequenced and described rice genome. He argues that genetically modified foods have shown no harmful effects on human health or the environment, and that plant variety protection for rice and other genetically modified foods must be a collaborative process that does not marginalize subsistence farmers in developing countries.

In his paper *Pathways of Poverty Reduction: Rural Development and Transmission Mechanisms in the Philippines*^{*}, Arsenio Balisacan, Professor in the Economics Department of the University of the Philippines, attempts to account for the country's poor performance, especially in rural development and hence in poverty reduction. The Philippines had the highest GDP per capita in the 1960s, but since then the country's economic development has lagged behind that of its neighbors. He traces shortcomings to misguided development strategies that fostered import-substituting industrialization rather than the agricultural development and subsequent nonfarm rural development that became the path out of poverty for other Asian countries. These policies discriminated against agriculture in general, e.g., by depressing relative agricultural prices and limiting the growth of labor productivity and real income in agriculture; while the few policy interventions targeted to the

agricultural sector tended to discriminate against small farmers, and thus against the poor who are concentrated in rural areas. Despite the poor growth performance of the Philippine agricultural sector, rural poverty has declined and continues to decline, albeit very slowly.

In his presentation *The Poverty-Environment Conundrum*†, Joseph Weinstock, ADB Senior Environment Specialist, sets out two questions concerning poverty and environmental degradation: first, are the poor the villains or the victims in environmental degradation? His answer is that the poor are both—they do damage the environment through their use and extraction of natural resources available to them, but under proper circumstances act as beneficial self-interested custodians. Unfortunately, the natural resource areas to which the poor have access are frequently on marginal or fragile lands, and extraction is driven by immediate interests related to basic survival, neglecting longer-term concerns. The poor often lack knowledge about how to manage natural resources and the proper incentives and resources to do so. Insecure tenure over the resources creates weak incentives for the poor to manage resources well. A second question considered is whether strong central government control or local control works better for managing natural resources and ensuring environmental sustainability. Weinstock answers that it depends and that there are advantages to each approach. He cautions that “right” answers are few and generic solutions should be avoided. Instead, careful analysis and much ingenuity are required to find solutions to resource management problems—particularly as they relate to the poor’s dependence on and use of natural resources.

High levels of poverty, fertility, the low status of women, and environmental degradation are strongly correlated and are likely to have strong causal links, argues Prodipto Ghosh, ADB Senior Environment Specialist, in his presentation *The Poverty-Environment-Population Nexus*†. According to Mr. Ghosh, environmental degradation is a major causal factor in aggravating poverty. Impoverishment itself can strongly aggravate environmental degradation: environmental resources in marginal areas, such as wood fuel, nontimber forest produce, and fisheries, are vital to the livelihood of the poor, who are particularly vulnerable to the loss of ecosystem resilience, or its ability to tolerate environmental stress. Population growth, in turn, reinforces poverty and environmental degradation: the demand for children is a complex one, but today, households with many children observe the weakening control of community resources and see an opportunity to pass the costs of rearing children on to the community by overexploiting community-owned resources. The result is further pressure on environmental resources.

Brenda Angeles, Regional Vice President, Mediators’ Network for Sustainable Development, discusses the needs and rights of the poor in her presentation *Legal Issues and Challenges in Securing Rights of Poor Communities Over Natural Resources*†. She shows that in the Philippines, despite a commitment on the part of government departments and agencies and the existence of laws spelling out the rights of poor communities to have a say in decisions about the exploitation and management of natural resources in areas where they live, it is very difficult for the government to yield control. She illustrated this point with reference to a recent case involving a dispute between local poor communities and the government over control of local natural resources that was appealed to the Philippine

Supreme Court. The case ended in a tie vote. The experience from the adjudication of the case suggests that the Supreme Court and the Department of Environment and Natural Resources would benefit from a deeper understanding of the Philippines' environmental law and greater sensitivity on the part of the department secretary to the needs and interest of the poor. Improving the funding and addressing corruption in the bureaucracy and improving the legal literacy and appreciation of participation by poor stakeholders were seen as other helpful measures in fostering better resolution of disputes.

d. Microfinance program and institutions

Microfinance is an important tool for poverty reduction. However, there are many variants of microfinance. The performance of microfinance initiatives should be judged in terms of their impact on the access of the poor to credit, their sustainability, and their impact on poverty. Asia leads the world in the number of people reached by microfinance, but in many of the existing microfinance programs in the region sustainability is problematic and impacts are difficult to measure and subject to much disagreement. The challenge for Asian economies is promoting institutional and policy changes that will help ensure that sustainable microfinance institutions serving the poor assist in reducing poverty in the region.

In order to measure the real impact of microfinance programs in Bangladesh, says Shahid Khandker, Senior Economist, World Bank, in *Does Microfinance Really Benefit the Poor? Evidence from Bangladesh*[†], it is necessary to correct for endogeneity of program placement and program participation, as these may bias impact estimates. Assessments must identify eligible poor participants, assess whether they are being helped by microfinance, and judge whether the microfinance programs benefit the economy as a whole. Using a quasi-experimental survey design correcting for the biases in earlier surveys, Khandker and his group found that microfinance makes a difference to poor participants by raising their per capita income, consumption, and net worth, and increasing the probability that they will lift themselves out of poverty. Despite the fact that an overwhelming majority of the poor and women are reached by microfinance, the aggregate welfare impact of microfinance is small, poverty rates remain alarmingly high, and high transaction costs keep Bangladeshi programs dependent on aid provider generosity.

In *The Approaches and Experiences of the Grameen Bank in Microfinance and Poverty Reduction*[‡], Siddiqur Rahman, Deputy General Manager and Chief, Grameen Bank, reports on more recent activities of Bangladesh's Grameen Bank—a pioneer NGO in lending through microfinance programs. He cites statistics showing that the percentage of Grameen borrowers living in extreme poverty was reduced by 70 percent within 4.2 years of joining. Profits from Grameen-financed business are increasing borrowers' consumption by 18 percent per year, and Grameen bank borrowers eat 9 percent more than comparable nonborrowing households, according to data collected by the NGO. Some 46 percent of Grameen Bank borrowers are no longer poor, whereas 74 percent of borrowers in a control group were still very poor and only 20 percent of Grameen borrowers are still very poor. Women Grameen Bank borrowers have a 43-percent higher income than those in a control group and 28-percent higher than nonmembers, and women members in 90 percent of top-earning

households have either taken over economic decision making or are equal partners with their husbands in such decisions.

e. Poverty reduction targeting urban areas

Asia's future is urban, says Asad A. Shah, Principal Director of ADB's Office of Administrative Services, in his presentation *The ADB Perspective: Policy and Institutional Reforms for Urban Poverty Reduction*[†]. Today, one out of three Asians lives in a city; by 2020, one of every two will do so. Cities are engines of growth, as estimates place 80 percent of the region's growth in urban areas. However, cities are also centers of poverty and contain about 350 million of the region's 1 billion poor. Shah lays out the strategies of ADB in promoting equitable urban growth and poverty reduction: capacity building and institutional strengthening, including management and other training, and communication of best practices are important efforts. To address urban poverty, it is necessary to stress the role of government as enabler, rather than provider of basic services. Urban investment and management are undergoing transformation, including greater attention to pricing of services and direct cost recovery and greater use of build-operate-transfer and other schemes involving the private sector to provide basic urban services. Partnerships and collaboration between ADB, DMC governments, the private sector, and NGOs and civil society are crucial in policy reform and strategy formulation, in the design of interventions to help the poor, and in other efforts to better target and integrate poverty reduction initiatives with overall development efforts. Efforts to improve urban governance and to decentralize control of municipal services are other important thrusts of ADB's efforts to address urban poverty in Asia.

Small- and medium-sized enterprises (SMEs) play an important role in manufacturing as a tool in the promotion of equitable growth, says Dipak Mazumdar, Professor of Economics, University of Toronto, in his paper *Small and Medium Enterprise Development in Equitable Growth and Poverty Alleviation*^{*}. SMEs are an important feature of industrialization, and estimates show that SME development has a larger impact on poverty reduction than the growth of larger enterprises. Policies must be geared toward increasing the share of employment in SMEs and should aim to reduce the economic distance between SMEs and large scale establishments in terms of productivity and wage differentials. Three basic patterns of size distribution and productivity differentials are identified: (i) the extreme and "ideal" prototype from a welfare point of view, with a fairly even size distribution of employment and a relatively small productivity differential between SMEs and larger-scale enterprises; (ii) a distribution of establishments skewed to the large-sized groups, when this pattern started to reverse; and (iii) the more typical pattern of size distribution in Asian economies—a "dualistic" one with a bipolar distribution of firms. The development of SMEs not only provides a seedbed for cultivating innovative and adaptable entrepreneurs, but also helps to increase flexibility in labor markets.

f. Information and communication technological as tools to combat poverty

Three Forum presentations consider the role and importance of information and communica-

tion technology (ICT) in growth, development, and poverty reduction. In *New Technologies, Competitiveness, and Poverty Reduction**, Sanjaya Lall, Professor, University of Oxford, considers the extent to which technological innovation accounts for growth in export-oriented industry in Asia. He shows that developing countries' exports are growing faster than those of developed countries, and—contrary to expectations—they are growing fastest in the highest-technology categories rather than in the low- and medium-technology industries traditionally viewed as sectors of comparative advantage. The competitiveness of manufacturing industries in Asia's successful economies has facilitated high growth and expanded job opportunities in industries that employ skilled labor. However, such successes are highly concentrated, by region and by country, and the depth and “rooting” of high technology vary greatly among the successful importers. This raises doubts about the sustainability of competitive performance. To ensure broad and sustained success, Asia's developing countries need to develop stronger local capabilities and skills to attract the mobile resources available in a globalized world.

The paper by Clay Wescott, *E-Government: Supporting Public Sector Reform and Poverty Reduction in the Asia-Pacific Region*+ stresses that e-government, or ICT strategies applied to government activities, is only one tool among many. The author notes that while the level of ICT application in government varies widely across countries in Asia and the Pacific, it is still in its initial stages in most countries. After reviewing the experience of e-government in supporting public sector reform and poverty reduction in various parts of the world and giving examples of e-government in Asian and Pacific countries, the paper explains why the pace of adoption is slower in the region. It also defines and describes six levels of e-government—e-mail and internal networking, interorganizational and public access to information, two-way communication, exchange of value, voting and expressing opinions through the Internet, and vertical and horizontal integration of government using ICT. The paper concludes with a review of the benefits and challenges of each stage and discussion of crosscutting challenges faced in all stages of e-government.

Randeep Sudan, Special Secretary to the Chief Minister, Government of Andhra Pradesh, India, prepared the paper *Use of Information Technology for Poverty Reduction: A Case Study of Efforts in the Indian State of Andhra Pradesh**, which focuses on the role of ICT in India's Andhra Pradesh state. There the state government has premised the introduction of numerous poverty reduction initiatives on the idea that ICT can help poor countries leapfrog toward development, despite the constraints placed on its use by the poor, including remoteness, lack of education, and inequality. Sudan gives numerous examples of ICT being applied in both obvious and surprising ways in the state. These range from encouraging the location of ICT and ICT-enabled services in poor areas to installing Doppler radar to provide data on approaching cyclones. Providing low-cost outsourcing, requiring that universities offer ICT education, application of videoconferencing for information dissemination in remote areas, creating Internet-based programs for tax payment and processing applications for government permits, and setting up systems to provide improved government reporting and to enable citizens to report cases of corruption are other ICT based initiatives adopted in Andhra Pradesh that are discussed in the paper.

g. Improving the health and nutrition of the poor

Malnutrition is a poverty trap, says Joseph Hunt, ADB Senior Health and Nutrition Specialist, in his presentation *Food Policy and Nutritional Security: Lessons Learned and New Paradigms*[†]. Inadequate nutrition curses future generations, because poor fetal and early childhood development leads to adult chronic disease and depresses economic growth by at least 5 percent of GDP per year. Traditional approaches to food security have mostly been expensive failures. Today, one fifth of maternal deaths are caused by iron deficiency anemia; 54 percent of under-five deaths in Asia are caused by underweight; low-birth-weight babies born to stunted, underweight mothers are 10 times more likely to die in their first year than babies of normal weight; stunted children enter school later and are more likely to drop out. By contrast, less expensive community-based programs centered on maternal and child nutrition and health care have been more effective in producing taller, healthier, brighter children who earn more. Women's education and women's relative equality with men are a major predictor for decline in fertility rates and lower infant and child mortality and under-five malnutrition.

In his presentation *Health and Poverty*[†], Jacques Jeugmans, ADB Senior Social Sectors Specialist, characterizes poor health among the poor as involving a vicious cycle, because ill health reinforces low productivity and poverty, and poverty leads to ill health. The poor have greater unmet health care needs than more affluent people, because their use of health services is low. When accessing health services, the poor receive services that are often of poor quality. Yet, it is the poor that can least afford illness, as their livelihoods depend upon their sole asset, namely their labor. Developing a pro-poor healthcare system involves identifying who is poor, what their health status indicators are, and how they utilize health services; and reaching out, decentralizing and being patient, and ensuring health professionals do the same. Health care financing initiatives and public-private partnerships should aim to provide better and more efficient services. Fostering provision of the services the poor use most—primary health care services, and immunizations, among other services and facilities—and targeting those services to regions and demographic groups where the poor predominate are principal thrusts of ADB's work in improving health care provision to the poor in the Asia and Pacific region.

h. Resettlement and poverty

In order to have a broader understanding of poverty and its relationship to resettlement, Michael Cernea, Senior Advisor, World Bank, proposes use of an Impoverishment Risks and Reconstruction model in his paper *Risk Assessment and Management in Involuntary Resettlement*⁺. The key feature of this approach is to focus on prevention first; mitigation of those risks and coping with the results of events that occur are fallback positions. The model identifies socioeconomic risks before they occur as part of poverty reduction strategy planning. These risks guide practitioners towards mitigating these risks and safeguarding the interests of people exposed to risk.

10. Poverty Measurement: Review of Current Practice and Recent Advances

Who is poor? Who is near poor, and who is at risk of becoming poor? In a country where many people are not well off, especially by Western standards, how do researchers and aid providers determine who is poor enough to require help? There are many ways to measure the levels of poverty in a country: an absolute poverty standard defined by the budget required to purchase a basket of goods satisfying minimum nutritional needs, or the \$1 or \$2 a day often used for international comparisons; relative poverty lines, e.g., having income that places an individual in the lowest decile or quintile of the income distribution; or composite poverty indices that attempt to measure income and nonincome dimensions of poverty and satisfaction of a variety of basic needs. All poverty measures are in some way inadequate and can yield incorrect descriptions of poverty based on available data. The choice of measurement method can strongly affect the description of poverty and the understanding of how to address poverty that are obtained from poverty analyses, as discussed in this group of Forum papers. Setting aside concerns about the poverty indicator used, it is important to consider how measurement error and other frequently encountered data problems can affect adversely poverty analysis and lead to incorrect prescriptions or feedback about projects and programs intended to mitigate poverty. Several papers presented at the Forum address the topic of how to measure poverty in developing countries and use quantitative data to judge the effectiveness of antipoverty efforts.

a. Review of current practice

Abuzar Asra, ADB Senior Statistician, and Vivian Santos-Francisco, ADB Assistant Statistics Analyst, show how methods of measuring poverty can influence the characterization of poverty and the inferences that can be drawn from results of poverty analyses. In *Poverty Lines: Eight Countries' Experiences and the Issue of Specificity and Consistency**, the authors consider the trade-off between defining national poverty lines that most accurately measure poverty across the distinct situations found in a particular country (specificity) and poverty measures that provide a basis for comparing the incidence of poverty across geography and time (consistency and comparability). The paper begins with a review of the derivation of national poverty lines in eight Asian countries. While all use similar household survey data, some methods used to define the poverty line place greater emphasis on specificity (Indonesia and the Philippines) while others give more weight to comparability (India, Thailand and Viet Nam). Overall, the paper finds that countries have developed poverty lines and poverty measures that reflect their own views about poverty, and have neglected the need for comparability across countries in the Asia and Pacific region.

In their paper *Specifying Poverty Lines: How and Why†*, Benu Bidani, Gaurav Datt, Jean Olson Lanjouw, and Peter Lanjouw, all of whom work at the World Bank except Jean Olson Lanjouw (who was then Professor of Economics at the London School of Economics), argue that poverty lines must balance often conflicting demands stemming from the various roles poverty measures play in public policy and public understanding of poverty (e.g., defining eligibility for public transfers, understanding the extent and causes of impoverishment, etc). The authors propose a new approach to comparisons of poverty that avoids the

need to set a specific poverty line. Using this approach, the entire distribution of income or consumption is compared using various graphical techniques. This addresses the shortcoming that poverty measurement based on a single poverty line or measure inevitably embodies certain normative viewpoints and assumptions. A “dominance analysis” allows examination of poverty for a range of poverty lines and measures and provides more robust poverty comparisons. The chief advantage of this approach derives from the fact that poverty comparisons are of greatest value in ranking poverty across settings, rather than precisely calculating the extent to which poverty differs across two settings.

In their paper *On Specifying Poverty Lines*[†], Nanak Kakwani and Hyun Son, Ph.D. student, University of New South Wales, Australia, critically evaluate alternative approaches to setting poverty lines. The paper concludes that fixed or horizontally equitable poverty lines, based on the budget required to attain the goods and services that defines a society’s minimum standard of living, offer the best poverty measures. The paper derives a series of “axioms” that a desirable poverty line must satisfy (e.g., poverty lines should be proportional to individual needs, cannot allow for individual tastes, must be consistent in maintaining a constant standard of living over space and time). Using the Foster-Greer-Thorbecke “cost of calorie” function, the authors determine that the food energy intake method is the simplest way of determining a poverty line. The paper describes a methodology to determine consistent food and nonfood poverty lines for households across regions, which is used to evaluate alternative approaches to poverty measurement based on data from Thailand and the Philippines.

Does economic growth favor the poor? It indeed depends on how you measure it, say James Foster, Professor, Vanderbilt University, and Miguel Szekely, Research Economist, Inter-American Development Bank, in their paper *Is Economic Growth Good for the Poor?*[‡]. The authors review established methodologies used to determine who is poor and the extent of poverty. Every method of setting poverty lines faces inherent problems: with absolute lines, the cut-off point defining the poor and nonpoor can be cruelly arbitrary with relative poverty lines, many poor people in poor countries are considered nonpoor even though their incomes are inadequate to enable satisfaction of basic nutritional needs. The authors propose an alternative methodology for tracking low incomes, based on a concept of “equally distributed equivalent income.” The proposed approach is based on comparison of growth rates for two standards of living: the ordinary mean, or average, and a “bottom-sensitive” general mean that characterizes the incomes of the poor without ignoring the incomes of the near-poor, and places progressively more weight on lower incomes. The paper presents an analysis of growth elasticity of the general mean for a data set of 144 household surveys from 20 countries over the last 25 years. This shows that growth elasticity of bottom sensitive general means is positive, but significantly smaller than one, meaning that the incomes of the poor do not grow one-for-one with increases in average income.

In *Poverty Comparison in the Philippines: Is What We Know About the Poor Robust?*^{*}, Arsenio Balisacan suggests that our understanding of who are the poor and how we measure whether they are poor can be biased by the indicators and data used to characterize poverty. The paper examines standard approaches used to measure poverty in the Philippines and

identifies a number of shortcomings. Since these data inform public policy decisions about poverty reduction, the implications of the problems identified are rather disturbing. Balisacan constructs an alternative poverty measurement approach, one that makes use of current consumption expenditure rather than current income as a broad household welfare indicator, imposes spatial consistency for the construction of poverty lines, and does not depend on food consumption survey data. He finds that contrary to common claims, the economic growth in the Philippines in 1994–1997 was pro-poor (i.e., accrued benefits to the poor) and resulted in poverty reduction that was higher than official statistics indicated. The paper's estimates of poverty incidence and its change over time reveal a geographic distribution of poverty that is quite different from that in the official data. Only four of the 10 poorest regions shown on the Government's official list were identified using Balisacan's approach.

b. Measuring the impact of development efforts on poverty

The paper *Integration of Poverty Impact in Project Economic Analysis, Issues in Theory and Practice*† by Manabu Fujimura, ADB Economist, and John Weiss, Professor, University of Bradford, England, responds to renewed revived interest in poverty issues in project economic evaluation following ADB's adoption of its Poverty Reduction Strategy. The paper discusses the inherent difficulties and pitfalls encountered in assigning the benefits and costs of different development efforts to various individuals. The authors argue that an organization like ADB must decide how much emphasis to place on poverty interventions and how much on growth. They demonstrate how established approaches to cost-benefit analysis can be extended to distribution and poverty impact analysis in a static general equilibrium framework. They also show, however, that the poverty impact analysis requires detailed data at the pre-investment stage. It is difficult for distribution analysis to escape subjective judgment, which makes the task of explaining schemes for weighting costs and benefits to poor and nonpoor schemes—which underpin the analysis—difficult to explain and fully justify. Accumulation of experience across projects is necessary to find a good balance between accurate analysis and existing resource constraints in determining the amount of resources that should be put into distribution analysis in project economic assessments.

Adding to the Fujimura-Weiss paper, another paper by John Weiss, *Assessing the Poverty Impact of Policy and Sector-based Lending*#, considers how to apply the methodology of cost-benefit analysis to examine the poverty impact of policy- and sector-based loans. Such loans represent an increasing share of the loan portfolio of ADB and other multilateral development banks. Program loans support change at the macroeconomic or sector level, but the difficulty of ascribing outcomes to interventions is greater than in the case of project loans, particularly when analysis seeks to disaggregate outcomes across segments of the population. Mr. Weiss reviews the use of a poverty impact matrix to assess policy loan effects, but argues that while it is a helpful way of organizing the necessary quantitative and qualitative information, it does not evaluate the critical assumptions that underlie the analysis, and warns against mechanistic application. He recommends a framework that distinguishes among the different roles of the poor, as consumers, producers, employees, and recipients of public services, and shows how different types of lending can be assessed.

The paper suggests case-by-case assessment grounded in a thorough understanding of the policy environment, and careful quantitative assessment based on the best available data.

At the Forum, Caroline Heider, Richard Bolt, and Manabu Fujimura, all of the ADB, review ADB's criteria for lending to reduce poverty in their joint presentation *Evaluating the Anti-Poverty Approaches and Activities of ADB*†. The presentation notes that poverty alleviation has been a strategic development objective at ADB since 1992, which has been sought through stimulating pro-poor economic growth, targeting lending to benefit the poor, increasing the access of the poor to social services, and ensuring that vulnerable groups are protected from adverse impacts ADB lending. The presentation reviews how the anti poverty aspects of ADB's activities are undertaken today. The Poverty Reduction Strategy is used to guide these efforts, which include poverty analysis, improved project design, and increased monitoring and evaluation at the country, sector, and project levels. The presenters discuss how the poverty impact of ADB-funded projects is assessed, and how policy based loans, a more recent addition to ADB's portfolio, can support the poverty reduction objective.

11. Regional and Country Poverty Profiles

Despite the large amount of analysis and research at the Forum drawing generalizations about poverty and comparing poverty trends across developing countries in Asia and the Pacific, it was also clearly recognized that each country has its own poverty profile, its own problems, and its own successes and failures in addressing poverty. According to the country-specific analyses presented at the Forum, these experiences range from the bleak failure of Nepal's rural areas to participate in the country's economic growth, to the problems of economic poverty in spite of excellent social development in the Indian state of Kerala. The country and more localized studies of poverty presented at the Forum revealed common problems in addressing poverty that apply to regions and subregions of Asia. For example, the Mekong River Delta countries share resources and problems spread along the Mekong River, while the poor in countries of the Pacific islands share a form of poverty characterized by a lack of opportunities, multiple vulnerabilities, and poor governance. The final section of this Introduction summarizes many of these subregional and country studies that were presented at the Forum.

a. Individual country studies

Growth and Poverty Reduction in the People's Republic of China (PRC)† by Wang Guoliang of the Leading Group Office of Poverty Alleviation and Development reviews the three major stages of poverty reduction efforts since the opening up of the country in the late 1970s: structural reform (1978–1985), organized large-scale interventions (1986–1993) and special efforts against hard-core poverty (1993–2000). His paper describes the characteristics of poor areas and outlines how poverty is measured in the PRC. Today, poverty reduction efforts are focused on development in rural areas, especially in the West. Better management of funds, increasing the role of provincial government and line agencies, increasing funds for poverty alleviation efforts, improving cooperation and the economic

linkages between the eastern and western parts of the country, enhancing voluntary resettlement programs and assisting mobile laborers, strengthening village organizations, and expanding of cooperation with international organizations are all measures being undertaken to alleviate poverty in China. The country's aims for poverty reduction in the 21st century include full implementation of an income support program for individuals below the subsistence poverty line, preventing those who have provisionally risen from destitution from falling back into poverty, and fostering continued economic improvement for members of the population living just above the poverty line.

In his presentation *Macroeconomic Policies and Poverty Outcomes: The Indian Case*[†], Sudipto Mundle, ADB Senior Programs Officer, considers the interplay between macroeconomic policy and poverty using the example of India. The presentation argues that macroeconomic policies have figured in the phenomenon of high growth and persistent poverty. Despite the fact that agriculture's share of India's gross domestic product fell to one third of total GDP in the 1990s, the sector still employs two thirds of the work force. This locks a large proportion of the workforce into a low-productivity sector and dooms most workers to poverty. Mundle maintains that agricultural growth is needed for poverty reduction and that it can be strengthened through increased agricultural research, development, and extension; increased investments in rural infrastructure (e.g., irrigation and roads), and increased public expenditures on social services; and maintenance of stable and affordable prices for food grains. The presentation finds fault with the Indian Government's preoccupation with the trade, industrial, and financial sectors, and its reliance on price interventions instead of investments. He also criticizes the Government's acquisition of huge buffer stocks of food grains for taking up scarce public financial resources and greatly increasing demand for food credit from the banking system—which in turn crowds out private investment and public spending in more critical areas for both growth and poverty reduction. The presentation encourages renewed attention to rural and agricultural development through measures it outlines.

Kerala state in southern India has long been considered a model in terms of its social development and equity (i.e., providing for the population's food and social security, achieving good coverage of basic minimum services, and preventing abject poverty), despite more modest achievements in terms of economic development, says S. M. Vijayanand, Secretary, Committee on Decentralization, Government of Kerala, in his paper *Poverty Reduction Through Decentralization: Kerala's Experience*⁺. The problem is that the economy has not grown and poverty has persisted, while it is becoming harder and harder to sustain the level and quality of government service provision. Rapid decentralization has been undertaken with a view to reforming state planning and advancing a development strategy that would address the state's peculiar poverty problems (e.g., large numbers of educated poor and landless or nearly landless poor). Mr. Vijayanand considers experiences under the decentralization and finds that local governments have performed well on the whole. Some gaps and shortcomings are identified. The paper concludes that the greatest promise for poverty reduction in the state lies in networks of self-help groups of poor families headed by women.

Since independence, Sri Lanka has registered exceptional improvements in its human development indicators and greatly reduced starvation and destitution in the country, notes Saman Kelegama, Executive Director, Sri Lankan Institute of Policy Studies, in his paper *The Poverty Situation and Policy in Sri Lanka*^{*}. Despite these accomplishments, broader poverty declined little in Sri Lanka during the 1990s, and between one fifth and one third of the population remains poor. This is explained by the country's economic performance, which while steady has never been strong. Mr. Kelegama identifies shortcomings and impediments in the existing poverty reduction strategy and programs in Sri Lanka, which include both structural and political factors, as well as policy shortcomings related to inadequate market liberalization in the country. These have caused the general failure of Sri Lanka's poverty reduction efforts, according to him. Depoliticizing the implementation of existing poverty programs and undertaking economic/market reform, Kelegama argues, are steps that hold promise of making existing poverty programs more effective.

Nepal's poverty is predominantly rural, reports Devendra Chhetry, Professor, Tribhuvan University in Nepal, in *Understanding Rural Poverty in Nepal*^{*}. Sluggish agricultural growth (i.e., low growth of agricultural productivity) and high rates of population growth and the associated large size of households and high rates of illiteracy are the major economic and demographic factors perpetuating poverty in the country's rural areas. Since even rural dwellers with substantial amounts of land suffer from income poverty, land reform or redistribution is not a sufficient strategy for reducing rural poverty, according to the analysis presented in the paper. Microlevel data shows that while economic reforms since 1985 have had profound effects on Nepal's nonagricultural sector, their effect has been much more muted in the agricultural sector and in rural areas, where there has been virtually no growth in per capita household income.

The incidence of poverty in Pakistan increased significantly in the 1990s, rising from 22.4 percent of the population in 1992–1993 to 35.2 percent in 1999, according to the paper *Structural Adjustment, Macroeconomic Policies, and Poverty Trends in Pakistan*[†], by A. R. Kemal, Director, Pakistan Institute of Development Economics. Poverty also became more rural and inequitable in the distribution of income during the 1990s. Macroeconomic policies account for at least some of the increase in poverty. These involved a series of structural adjustment programs that adversely affected output and employment due to cuts in public subsidies and development expenditure. Insufficient provision of credit for investment to the private sector by the government also stifled growth, while changes in the tax structure increased the tax burden on the poor by 7 percent while decreasing that of the richest class by 16 percent. These policies had the effect of reducing the income-earning opportunities of the poor due to the deterioration of labor market conditions they caused.

While the economy of the Lao People's Democratic Republic (PDR) grew at an average rate of 4.6 percent per year in the 1990s, the benefits of this growth to the poor were largely offset by a large increase in inequality, report Nanak Kakwani; B. Sisouphanthong, Director, and P. Souksavath, Deputy Director, National Statistical Center, State Planning Committee, Lao PDR; and B. Dark in *Poverty in the Lao PDR*[†]. This study undertook to develop poverty lines based on updated and more accurate data than were available previ-

ously. The paper finds that the incidence of poverty decreased from 45 percent in 1992–1993 to 38.6 percent in 1997–1998, an annual rate of poverty reduction of 3.1 percent. Study results show the incidence of poverty varies greatly across regions and between rural and urban areas. The impact of growth on poverty reduction was much greater in rural areas because the increase in inequality in rural areas during the period was much smaller than the increase in urban areas.

Over the last 15 years, Viet Nam has achieved strong economic growth combined with a relatively equitable distribution of assets and services—achieving a rise in GDP per capita of 57 percent over the period and one of the fastest rates of decline in poverty ever recorded. D. Schumacher, Assistant Resident Representative and Head, Poverty and Social Development Team, United Nations Development Program, notes this in her presentation *Poverty Alleviation in Viet Nam*†. Despite the tremendous increase in wealth, 15.7 percent of Vietnamese still live in dire poverty and 37.4 percent lack the minimum income necessary to provide a decent standard of living. A critical factor in sustaining growth and decreasing inequality in the country, Schumacher argues, is the extent to which growth can be diffused to all households. Economies undergoing transition from a centrally planned system to a market-driven one typically experience sharp increases in inequality. Viet Nam is no exception, although the level of inequality remains fairly low.

b. Regional studies

The cross-boundary impacts of poverty reduction strategies are important in a river basin that feeds some 300 million people, argues Joern Kristensen, Chief Executive Officer, Mekong River Commission Secretariat, Asian Institute of Technology, in *Food Security and Development in the Lower Mekong River Basin: A Challenge for the Mekong River Commission*+. Pressure of population growth is increasing regional interdependence and making greater the need for cooperation among the countries in the Mekong River Basin (Cambodia, Lao PDR, Thailand, and Viet Nam), and collaboration is demanded in prioritizing and coordinating development initiatives. The Mekong River Commission evaluates both positive and negative effects of development in the “catchment,” or individual stream system, and uses the information in determining strategies to promote long-term food security; increase development, especially of natural resources and food supplies; and guide the achievement of the overarching goal of poverty reduction in the subregion. The commission ascribes to the principle that development options that have a negative impact on poverty should include measures to compensate individuals and families that are adversely affected, and should be incorporated in development strategies for the Mekong subregion.

c. Pacific islands

The paper *Is Poverty an Issue in the Pacific?** by Christopher Lightfoot and Anthony Ryan, consultants of ADB’s Pacific Department, poses this apparently surprising question. The authors answer that poverty clearly exists and is a problem in the Pacific islands, but that the cultural pride commonly expressed by Pacific islanders impedes public acceptance of this reality. Poverty in this region results less from nutritional or material deprivation, though

hard-core poverty does exist in many areas, than from greater vulnerability in the face of severe land and other natural resources constraints, limited labor market opportunities, and income insecurity caused by frequent environmental and economic shocks. The paper traces poverty to shortages of financial, technical, and social services. The authors consider the nature and quality of governance processes and their role in driving poverty in the Pacific islands, and also discuss poverty resulting from discrimination based on gender, ethnicity, and social status.

In the Pacific islands, “subsistence affluence” and a sharing society have traditionally made sure no one is destitute, reports Vijay Naidu, Professor, University of the South Pacific, Fiji Islands, in *Opening Doors to More Inclusive Societies: The Case of the Pacific Island Countries*.^{*} His paper shows that both absolute and relative poverty are increasing. The paper associates the “poverty of opportunity” that characterizes poverty in the Pacific islands with a lack of openness in the societies that exist on the tiny land masses that are endowed with few natural resources and which face recurring environmental disasters. Small domestic markets and the inability to influence the markets for the commodities they produce make economic growth in the area difficult to achieve and highly volatile. High rates of population growth place pressure on urban areas and generally exacerbate the aforementioned problems. Professor Naidu recommends the opening up of country economies and political affairs to facilitate development of more inclusive societies as a priority in reducing poverty. He also highlights improvements in the provision of basic resources and services to vulnerable groups and the creation of opportunities for productive and sustainable livelihoods as necessary areas of action for governments in the Pacific islands seeking to reduce poverty.

Overcoming the “denial syndrome” about Pacific island poverty is also a central theme in the paper by Crosbie Walsh, Professor, University of the South Pacific, *Poverty in Fiji Islands and the Pacific Islands*.[†] He defines the denial syndrome and argues that it represents a major impediment to implementation of pro-poor policies. Denial that poverty is a serious issue preempts efforts to address the problem. Citing available poverty figures, Walsh shows that poverty is longstanding and is now widespread in several Pacific island countries; in fact, poverty in the Pacific islands compares unfavorably with that in some Asian countries. For example, an estimated 40 percent of households in the Fiji Islands are poor or nearly poor. The basic causes are embedded in social structures and cultures. Poverty eradication calls for the reexamination of some institutions in order to create a democratic and inclusive environment that can commit public resources to sustainable and equitable economic growth. Development of an educated civil society and a socially responsible business community are identified as valuable measures in efforts to eliminate poverty in the Pacific islands.