



Session 6: Poverty Reduction and Inclusion – Messages from NPRS and PRF Poverty Funds Initiatives

REGIONAL COOPERATION, REGIONAL ECONOMIC INTEGRATION, AND POVERTY: POVERTY IMPACT ANALYSIS OF REGIONAL ECONOMIC INTEGRATION IN THE GREATER MEKONG SUBREGION

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I. Conceptual Framework for Poverty Impact Analysis of Regional Economic Integration (REI)

1. There are definitional problems relating to what is REI and how this is different from cross-border economies. The former refers to the nation or even the region as a whole as the focus of interest while the latter is much more concerned with border and cross-border issues. The regional technical assistance project (RETA) 6171 (*Reviewing the Poverty Impact of Regional Economic Integration of the Greater Mekong Subregion*, financed by the NPRS Fund, implemented in 2004-2007) is more concerned with border issues, and in particular, on the impact on poverty resulting from greater inter-connectivity through trade and investment. Thus, the labour market impact would be the most direct determinant of poverty impact. In other words, a critical factor is the effect on the demand for labour, both domestic and cross-border, as a result of REI. This however, does not exhaust the full magnitude of the impact on poverty. Indirect effects are very likely, operating through lower prices of important inputs and consumption items that are imported more cheaply, and possibly higher prices for items of export, including agricultural exports in either raw or processed form. While such impacts would tend to be more generic, the share of the poor in these benefits could be significant. **The extent would depend on the linkages that emerge, especially with the rural-agricultural economy – often a serious constraint to poverty reduction.** A related problem is the inability of the very poor to benefit. Future interventions being contemplated would do well to bear these in mind.

II. Main Findings from RETA 6171

2. The major findings of RETA 6171 include:

- (i) **Labor migration** is the greatest opportunity for the poor from REI as well as the greatest threat. It is the single largest source of direct benefits to the poor (e.g.

- earnings of cross-border workers was \$5.4 million per month in one province of Cambodia alone);
- (ii) Labor migration still remains illegal and largely **unregulated**;
 - (iii) **Trade**: another source of direct benefit to poor households in border communities (engaged as cart pullers and porters for carrying goods at the border);
 - (iv) However, **informal trade** appears to be in decline, being slowly pushed out by more formal arrangements; and
 - (v) There are **adverse effects**, e.g., human trafficking, HIV-AIDS, domestic violence, drugs, etc.
 - (vi) REI is generating **pressure on the environment** and creating a nexus between poverty and the environment. Participatory Poverty Assessment (PPA) in Cambodia Tonle Sap suggested that it was a combination of adverse weather (drought), stress on natural resources, changing property rights and dwindling access to resources that have led to huge push factors in accelerating migration from the area (including cross-border migration). – suggesting a two-way relationship.
 - (vii) The process of REI has significant **gender implications**. Increasingly REI wears a female face (women migrate more and have a greater presence in trade). REI has also exposed women to new vulnerabilities (addiction to drugs, alcoholism, domestic violence, gambling, and the spread of casinos and entertainment outlets in border areas). The findings from the PPA generally confirm these trends with the difference that the PPA finds that relatively more men are engaged in cross-border migration while more women are engaged in internal migration, generally because of heightened risks related to the former.

III. Moving Forward: Policy Implications

3 The key policy implications of RETA 6171 findings include:

- (i) **Labor migration**- Coordinated efforts are needed towards strengthening the legal status of cross border migrant workers and reducing their exploitation and abuse;
- (ii) **Cross border trade**- Regulatory reforms are needed to facilitate informal trade and provide investments into organizing and building the capacity of small traders;
- (iii) **Border area development**- Interventions are required to draw in investments into border area development, create jobs, and build skills if the poor are to benefit from REI.
- (iv) **Gender and REI**-Given the high level of women’s participation in REI, and the consequent risks and vulnerabilities, there is a need for targeted programs for women’s empowerment, livelihoods improvement, education, skills development, among other supports required to strengthen their position in the context of the process of REI.
- (v) **Natural Resource Management**- Consequent to the depletion of natural resources in the sub region, a program for sustainable management, use and conservation of natural resources and the environment are critical in the GMS.
- (vi) **Research and analytical work** - Further research and analyses on these issues needs to be done. While there has been a lot of data collected, there is a need for continued research on these issues in order to build ADB’s knowledge base on REI and inclusive growth.

IV. Process Issues for Ownership and Policy Impact

- (i) It is important to deepen **local research capacity** and understanding of the nature and dynamics of poverty.
- (ii) Content and substance of the findings represent **a significant contribution to the policy discussion** concerning poverty reduction but there is a need to **ensure stronger local ownership** of the overall process.
- (iii) **Dissemination**: Need to revisit this question with the view to make it more effective and inclusive in terms of policy impact.
- (iv) **Local language** material: Needs greater attention?