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Helping Accelerate Poverty Reduction in Asia and the Pacific

ASSESSING POVERTY IMPACTS OF CROSS-BORDER DEVELOPMENT INTERVENTIONS

Technical Assistance 6171: Reviewing the Poverty Impact of Regional Economic Integration in the Greater Mekong Subregion was prepared to provide insights into the influence that regional integration has had on the lives of the poor in border provinces.

Expectations are rife that the Mekong will emerge as an important economic hub in Asia. Over recent years, trade relations among its countries have improved. Support from the Asian Development Bank and other funding agencies (notably in infrastructure, energy, and telecommunications development), has encouraged cross-border trade, investment, and greater labor mobility in the Mekong.

Yet, much of the Mekong's population remains poor. The challenge is to enable the poor to benefit from the flurry of economic activity brought about by regional integration. Development must be equitable and should not further marginalize them.

Evidence on the local impact of the integration process is scarce, particularly in the border or corridor provinces that have been the focus of many infrastructure and regional cooperation projects. Poverty data tend to be at an aggregate level and do not focus specifically on how regional integration has influenced livelihoods, yielded new opportunities, and given rise to new risks and vulnerabilities for communities in the border regions. Understanding these processes is essential for the design of more-responsive interventions to reduce poverty in the Greater Mekong Subregion (GMS).

The Research Design and Scope

Regional technical assistance (RETA) 6171: Reviewing the Poverty Impact of Regional Economic Integration in the Greater Mekong Subregion¹ was prepared to provide insights into the influence that regional integration has had on the lives of the poor in border provinces. The RETA's overall objective is to determine how to manage increased connectivity between the GMS countries through infrastructure and communications

development to ensure significant improvement in the economic and social status of the poor. The immediate objective is to assess the distribution of benefits and costs of cross-border interactions among different groups, especially the poor. In so doing, the RETA intends to identify ways for local, national, and regional poverty reduction strategies as well as future investments to maximize the benefits to the poor and minimize the negative impacts of these interactions.

The RETA will also provide a more comprehensive information base about cross-border livelihood interactions and poverty that can be used as a baseline.

Four types of analyses are being conducted under the project: (i) the nature, extent, and distribution of border poverty; (ii) the types of cross-border interactions and extent of regional economic integration (REI) on the ground; (iii) the impact and distribution of costs and benefits from these interactions on different groups, particularly between the poor and nonpoor; and (iv) policy recommendations for and insights on program or project designs and management that can help make the regional integration process more pro-poor.

The project's data collection and analysis focused on the two GMS economic corridors (east-west and south-south), which covered eight border provinces. Fieldwork was carried out on economic and social aspects, governance, and resource interactions. The study covers not only the ADB-supported programs but other bilateral, national, and local initiatives that promote cross-border integration.

Initial Findings and Emerging Issues

The preliminary data analysis and participatory assessment findings confirmed many of the RETA's initial hypotheses. Findings include the following:

- Levels of informal integration in the border provinces (e.g., local traders crossing the border daily) are extremely high

¹ The RETA amount of \$850,000 was funded by the Cooperation Fund in Support of the Formulation and Implementation of national Poverty Reduction Strategies. ADB approved it on 6 May 2004. The project is expected to be completed in July 2007.

and often surpass the provisions of macro-level policies and strategies.

- Integration has been ongoing for a long time. The recent change appears to relate to integration's intensity and growing significance in terms of domestic livelihood choices and options for the poor.
- The new wave of REI is clearly creating a lot of livelihood opportunities, both at and across the border (e.g., work for porters and cart pushers, petty trade, cross-border farm jobs, and others), which are critical to the survival of poor and vulnerable groups, including households headed by women, and ethnic minorities.
- Labor migration is perhaps the most critical REI-driven opportunity for the poor. Estimates of remittances sent by cross-border migrant workers are of considerable significance to the local and provincial economy.
- Border provinces have become hubs of economic activity and labor migration both for the poor desperate for any opportunity and for the wealthy with investable resources. This may result in the ejection of local marginal groups and in rising land and property prices and related stakes.
- The process of integration has also brought with it risks and vulnerabilities, including heightened risks of human trafficking, sex trade, HIV/AIDS, child labor, and alcohol and drug abuse among young people.
- Intensified illegal activities such as smuggling, drug trafficking, prostitution, and gambling are concentrated along the economic corridors, threatening border communities.
- Increased commercialization and in-migration in border areas as a consequence of REI have also increased demand for limited common property resources (land, non-timber forest products, among others), threatening poor households whose survival depends on access to such resources.
- Many of the benefits of the formal process of integration are bypassing poor people and poor communities, and even poorer GMS countries. The poor who have benefited from informal integration are also losing out as economic integration is formalized.

Preliminary Conclusions

The key message emerging from these preliminary findings is that while the poor have undoubtedly benefited from increased livelihood opportunities through REI, the process of REI has to be managed to ensure that the poor share in the gains from increased trade, employment, and connectivity.

REI policies will need to be accompanied by targeted schemes focusing on poor and marginalized groups. Specific concerns of the poor such as those related to labor migration, natural resources management, and informal trade need to be brought into the central discussion of REI policy making. REI policies should be designed through a participatory and bottom-up process to fully integrate the voices of the poor and civil society.

Finally, safeguarding measures will have to be introduced to protect border communities from the added risks and

vulnerabilities that they face and to provide them with a safety net to protect them in the transition from informal to formal integration. These changes are critical to ensuring that the GMS regional integration program achieves its ultimate goal of poverty reduction.

Postscript: RETA 6171 is included in the GMS regional cooperation strategy and program for 2004–2008. It commenced last October 2004 and is expected to wrap up by December 2006. The findings of RETA 6171 will feed directly into the 2008 GMS strategy.

References:

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This case study was written by Social Development Direct (RETA Consultant) under the Regional TA 6270: Facilitating Knowledge Management for Pro-Poor Policies and Projects with inputs from Manoshi Mitra, Project Officer of RETA 6171, Janmejey Singh, Consultant of RETA 6171, and Sonomi Tanaka, Senior Social Development Specialist, ADB. The views and assessments contained herein do not necessarily reflect the views of ADB or its Board of Directors or the governments they represent. ADB does not guarantee the accuracy of the data and accepts no responsibility for any consequences of their use.

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