Ending Asian Deprivations

Despite Asia’s rapid growth, vast sections of its population still live in poverty and suffer hunger and other forms of deprivation. Merely relying on Asia’s growth will not help the deprived see a better future in their lifetimes. Ways must be found to make growth more inclusive combined with proactive public action to bring substantial improvements in the lives of Asia’s deprived people.

This book is written by a set of experts who have long been working on reducing various aspects of human deprivations in Asia. It begins with a discussion of the massive dimensions of deprivations that continue to exist in Asia. Although many countries have adopted inclusive growth strategies to enable the benefits of growth to reach the poor, much more needs to be done to make growth processes more broad based and beneficial to all. The book points to essential action needed to bring this about.

The book also emphasizes the crucial role of determined, target-driven public action if Asia’s deprived populations are to see substantial improvement in their lives. Practical measures to tackle problems of hunger, unemployment, gender discrimination, ill health, lack of quality basic education, inadequate access to clean water, and basic sanitation are discussed. The problems of the urban poor and migrants who continue to flock to Asia’s cities are also highlighted. The book emphasizes the need for an appropriate environment for public action to succeed including strong participatory institutions, effective governance, social protection, and regional cooperation.

At the time this book was written, Shiladitya Chatterjee was regional advisor on the Millennium Development Goals at the Asian Development Bank where he had worked nearly two decades supporting development efforts in the region. He began his career in the Indian Administrative Service working with the State and Central Governments including the Ministry of Finance and the Prime Minister’s Office. He has a PhD in Economics from Boston University and a Masters from the Delhi School of Economics. He has taught economics at the University of Delhi, Boston University, and the University of Massachusetts.
Ending Asian Deprivations

Compulsions for a fair, prosperous, and equitable Asia

Edited by Shiladitya Chatterjee
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Asia’s progress towards prosperity is being constrained by continuing poverty and other human deprivations that must be ended. This book has taken this subject as its central theme and explored various ways of ending deprivations in the region. It has argued that countries must begin by setting time-bound goals and targets, strengthen inclusive growth, and undertake proactive state interventions towards human development and capability expansion. It has identified areas that need to be particularly addressed in the Asian context and has suggested various strategies to resolve the problems faced.

Given that the international community, including Asian policy makers, is engaged right now in the task of devising a new development agenda to replace the Millennium Development Goals that end in 2015, this book is extremely timely. The process of discussion and debate to evolve an agreed set of development objectives for the world has gathered considerable momentum since the Rio+20 summit in June 2012. The book will help in contributing to this discourse and in fostering a debate on Asia’s development priorities for the future. Considering that over two-thirds of humanity lives in Asia and the region bears a disproportionate share of the world’s deprived people, the Asian voice needs to be heard clearly in these international discussions. The book will be making a contribution to this important objective. Although the papers deal with Asia’s problems, many of these issues are being grappled with in other developing regions where they will also find resonance.

The book is the result of collaboration between the National University of Singapore and the Asian Development Bank as part of the knowledge exchange program between the two institutions. It contains papers by staff and consultants of ADB, NUS faculty, and regional experts who have provided their own views and suggestions on the topics they have discussed.

I hope this book will be read widely by those interested in Asia’s future, and in development in general, and help to generate increased efforts at ending deprivation in this region and around the world.

Kazu Sakai
Director General, Strategy and Policy Department
Asian Development Bank, Manila
October 2012
Preface

In 2015, when the UN meets to review its Millennium Development Goals (MDGs), it will discuss that it has not met many of them, except one: the halving of global poverty. This goal will have been met because of the extraordinary success of Asian countries, especially the People’s Republic of China (PRC), India, and Association of Southeast Asian Nations (ASEAN), in reducing poverty. Asia deserves to celebrate this achievement.

But it should not celebrate too much. In the same period, inequality has also grown in virtually every Asian society. Virtually no one predicted this. Nor do we know why this really happened. This is why the publication of this book, *Ending Asian Deprivation*, is truly timely. Asians need to understand better and more in-depth the many new complex trends surfacing in this region. This volume of essays provides many useful insights into these trends.

We are particularly pleased that this volume is a product of a growing knowledge exchange program between ADB and the National University of Singapore’s Lee Kuan Yew School of Public Policy. Experts from both institutions have been exchanging views and ideas relating to the MDGs for many years, and the book is a culmination of this process.

The UN has set up a High Level Panel to submit recommendations on the post-2015 development agenda and has initiated a process of international consultations with all stakeholders. This book will help in presenting Asian perspectives on what the future development agenda should emphasize and will be of interest to all those interested in development and public policy.

Finally, it should be emphasized that inequality is a rising global challenge, not just an Asian challenge. Humanity needs to respond better to these challenges. Fortunately, a deep sense of compassion is an existential part of the human condition. This is why the first line of Adam Smith’s classic work, *The Theory of Moral Sentiments*, began with the following: “How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.” The challenge for humanity is to demonstrate that this sentiment will hold true for the 21st century too.

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Abbreviations

ACCA  Asian Coalition for Community Action
ADB  Asian Development Bank
ASEAN  Association of Southeast Asian Nations
BOP  bottom of the pyramid
CCT  conditional cash transfer
CEDAW  Convention on the Elimination of All Forms of Discrimination Against Women
CSO  civil society organization
DAH  Development Assistance to Health
DHS  Demographic and Health Survey
ECCD  early childhood care and development
EFA  Education For All
ESCAP  Economic and Social Commission for Asia and the Pacific
FAO  Food and Agriculture Organization of the United Nations
FDI  foreign direct investment
GDP  gross domestic product
IMF  International Monetary Fund
JMP  Joint Monitoring Program
MDG  Millennium Development Goal
MICS  Multiple Indicator Cluster Survey
MUR  mega-urban regions
NCD  noncommunicable disease
PAI  poverty allocation index
PDR  Lao People’s Democratic Republic
PRC  People’s Republic of China
RYUAU  ratio of youth unemployment to adult unemployment
SARS  severe acute respiratory syndrome
SME  small and medium-sized enterprise
UN  United Nations
UNDP  United Nations Development Programme
UNICEF  United Nations Children’s Fund
USAID  United States Agency for International Development
WHO  World Health Organization
Discussion about Asian poverty and other forms of deprivation is beginning to get less attention from Asian policy makers and their international counterparts. Asia’s rapid growth and burgeoning middle classes promise an abundance of market opportunities for manufacturing and services. Asian cities now boast modern transportation infrastructure – new airports, metro railways, high-rises, and malls. Governments command greater funds. Countries in Asia would like to play a bigger role in international affairs, commensurate with the enlarged size of their economies. The focus of attention is on faster growth, which can bring this about while also taking care of poverty and other deprivations. 

Despite rapid progress in poverty reduction, however, recent poverty estimates indicate that more than 660 million people in Asia continue to live in extreme poverty. If the nearly poor were also taken into account, this number would swell to 1.5 billion, or nearly one in every two Asians.

This calls into question the current development paradigm based on a focus on maximizing growth, if such “development” leaves so many of Asia’s citizens in dire poverty and hunger. By no stretch of the imagination can we say that our strategies are working when the basic outcome of development is so dismal. Of course, some would argue that Asia’s development has raised the standard of living for many above the poverty threshold. However, the fact that it has left behind so many must be considered a major weakness in the development strategies pursued so far – particularly in countries where the problem of poverty has remained significant and persistent. The large portion of Asia’s population living in poverty also forces a rethinking of what really constitutes the ends of development. Can we afford to focus on aggregate gross domestic product (GDP) and average incomes without considering the proportion of people who earn those incomes? Moreover, restiveness among the deprived is translating into major security issues in much of Asia and can easily destabilize countries and regions if poverty and deprivation is not addressed urgently.

This chapter begins with a description of the nature and scale of deprivations in Asia and then goes on to suggest how such deprivations can be tackled.

1 We are indebted to Hyun Son for very helpful comments on this chapter.
Dimensions of Asian deprivations

Poverty from lack of income

On average, nearly one-fifth of Asia’s population, around 660 million people, live in extreme poverty.\(^2\) To understand how abject this state of living is, consider that $1.25 per day (in 2005 purchasing power parity), which is the current international poverty line, is sufficient to purchase enough food to provide just adequate nourishment and very little beyond. Those earning below this income are considered extremely poor. To think that about one in five Asians cannot afford even $1.25 per day provides a proper perspective about where Asia really is in terms of its development.

The picture is even bleaker if we count the number of the poor who earn less than $2 per day in 2005 purchasing power parity. Their condition is only minimally better. They live only a little above extreme poverty, with the prospect of sliding into that state if they lose a breadwinner or have to look after a family member who falls severely ill. A staggering 44% of Asia’s population – more than 1.5 billion people – falls into this category.

Although the poor are everywhere in Asia and the Pacific, some countries have more severe rates of extreme poverty than the Asia and the Pacific average, exceeding one-quarter of the population. These include the South Asian countries of Bangladesh, India, and Nepal; Cambodia, the Lao People’s Democratic Republic, and Timor-Leste in Southeast Asia; and Papua New Guinea in the Pacific. These countries, along with five others with large populations in poverty (although with lower rates of poverty than the regional average) – the People’s Republic of China (PRC), Indonesia, Pakistan, the Philippines, and Viet Nam – account for almost all of the extreme poor in Asia and the Pacific.

Poor people all over the world live with hope. Although they accept their current lot, they expect a much brighter future for their children. Indeed, most would be content if, through hard work, they are able to feed their children, look after their family’s basic health needs, and give them a decent education in order that they may rise out of poverty. Is this likely to happen in Asia?

Unfortunately, although Asia as a whole is likely to achieve the MDG of reducing the proportion of poor by half between 1990 and 2015, the pace of poverty reduction has not been uniform across Asia, and there is evidence that the effect of its main driver of reduction – economic growth – is weakening. Continued

\(^2\) See Chapter 4, which discusses in detail the magnitude of poverty and the pace of its reduction. The poverty numbers in this chapter relate to the latest estimated date of 2008. The international poverty line is based on national poverty lines, which are determined by basic nutritional requirements. India, for example, has traditionally based its poverty line on a requirement of 2,400 calories per capita per day in rural areas and 2,100 calories per capita per day for urban areas. Indonesia uses a calorie intake of 2,100 to produce a food poverty line, to which is added an amount to cover essential nonfood items consumed by the poor. The People’s Republic of China uses a similar method, with essential nonfood expenditure calculated as a fixed percentage of food expenditure, using a ratio of food expenditure to total expenditure of 0.6. See Asian Development Bank (ADB) (2004) for additional discussion of the methodology behind the national and international poverty lines.
Asia's burden of human deprivations

High population growth is adding to this problem and, in some cases, more people are added to the ranks of poverty each year than are taken out as a result of development efforts. In India, for example, the number of poor has remained fairly stagnant, although the number of poor relative to the total population is slowly declining. The benefits of development are unlikely to reach many such poverty-stricken families in their lifetimes unless efforts beyond relying on economic growth are made. On the other hand, extreme poverty has been dramatically reduced in the PRC, and the contrasting experiences of the PRC and India provides some interesting lessons, as discussed in Chapter 4.

Non-income poverty and other dimensions of deprivation

Although deprivation due to insufficient income is the most analyzed form of deprivation, there are large populations in Asia that are deprived in other ways. These include those who suffer from what Sen (1989) calls capability deprivation. For instance, people may lack education or suffer from ill-health; they may be prevented from reaching their true productive potential or functioning due to constraints posed by their location, such as living in rural or remote areas; they may be socially discriminated against due to factors such as gender, caste, or being a member of an indigenous community or religious or ethnic minority; or they may lack voice in their own society so that their needs and wants are ignored, and so on. There are several other ways that such capability deprivation may come about, but owing to insufficient data, not all such deprivations can be measured or assessed. Sometimes such deprivations are termed non-income poverty, because people suffering such deprivations can also be considered poor.

In the Asian context, several such deprivations do cause significant non-income poverty. We now turn to a few of the more significant ones, related to lack of human development, location, social exclusion, lack of voice, and other country-related structural and institutional constraints.

Lack of human development. Lack of education is a major factor preventing people from becoming more productive or enjoying a richer life. Most Asian societies have traditionally placed a high priority on education, although education attainments remain poor in many countries. Thus, although almost all (nearly 95%) children of school age in Asia attend school, about 20% who begin in Grade 1 do not complete primary education. In addition, a large number of children merely attend school and do not gain significantly from the experience because the quality of education imparted to them remains low in a large number of countries.

Tests of cognitive skills recently undertaken at primary schools in India, for example, showed that, although India has very high primary school enrolment rates, the achievement scores are very poor in many states. Pratham (2012), an Indian nongovernment organization, found that basic reading levels are declining in many states, particularly in north India. The all-India figure for the proportion of children in Standard 5 who are able to read a Standard 2–level text, for example, dropped from 53.7% in 2010 to 48.2% in 2011. Basic arithmetic skills
estimated by Pratham also show a decline. Nationally, for example, the proportion of Standard 3 children able to solve a two-digit subtraction problem with borrowing dropped from 36.3% in 2010 to 29.9% in 2011. Among Standard 5 children, the ability to do similar subtraction problems dropped from 70.9% in 2010 to 61.0% in 2011.

Studies have shown a close relationship between development of cognitive skills and economic growth, whereas total number of years of schooling does not matter as much. There is also a wide variation in the development of cognitive skills in Asia. On the whole, South and Southeast Asian countries are worse off than their East Asian counterparts in this respect, while developing Asian countries fall behind developed countries in Asia and in the world (Hanushek and Woessmann 2008, 2010).

The comparative scores on cognitive skills of basic education students in selected countries, plotted against GDP per capita, are shown in Figure 1.1. Although the level of development (represented by per capita GDP) is probably important in determining the quality of education, this figure reveals that some countries in Asia, such as the PRC and Malaysia, have been able to reach developed countries’ levels of quality even with low levels of development. On the other hand, other countries in Asia are performing even more poorly than their levels of development would indicate (being below the regression line). India is just on the line. Asian countries will have to do much more if they are to catch up with developed countries, and they cannot wait for the normal process of development.
Asia’s burden of human deprivations

to yield results in such crucial human development areas. The issue of quality of primary education is discussed in detail in Chapter 6.

Similarly, nutrition and good health are essential for leading productive lives and contribute to households’ and economies’ productivity and growth. However, Asia has fallen behind considerably in this respect. For instance, in 2009 about 25% of Asia’s children were moderately or severely underweight, compared to 22% in sub-Saharan Africa and 4% in Latin America and the Caribbean. About 5% of children born in Asia do not live beyond 5 years of age, compared to 2.3% for Latin America and the Caribbean and 0.7% for the developed regions of the world. In 2008, about 200 mothers died out of every 100,000 live births, compared to 85 in Latin America and the Caribbean and 17 in the developed regions of the world (United Nations n.d., 2011).

Again, there is very wide variation on health and nutrition attainments in Asia, and South Asian countries are performing particularly poorly in this respect (Economic and Social Commission for Asia and the Pacific [ESCAP], Asian Development Bank [ADB], and United Nations Development Programme [UNDP] 2012). The comparative health attainments for underweight children (Figure 1.2), child mortality (Figure 1.3), and maternal mortality (Figure 1.4) in selected countries in Asia indicate that not only are regional attainments low compared to Latin America and the developed regions but there also is wide disparity among countries, with below regional averages indicating severe deprivation.

Moreover, based on current trends, several countries in the region will have to wait unacceptably long to catch up with developed countries on social attainments.

![Figure 1.2](image)

**Figure 1.2** Incidence of underweight children during latest year for which data is available (%).

Sources: ESCAP, ADB, and UNDP (2012).

Note: Horizontal line represents the regional average for Asia and the Pacific.
Figure 1.3  Mortality rate of children under 5 years of age per 1,000 live births, 2010.
Sources: ESCAP, ADB, and UNDP (2012).
Note: Horizontal line represents the regional average for Asia and the Pacific.

Figure 1.4  Maternal mortality rate per 100,000 live births, 2008.
Sources: ESCAP, ADB, and UNDP (2012).
Note: Horizontal line represents the regional average for Asia and the Pacific.

For example, Son (2009) estimated that South Asian countries as a group will require 79 years to catch up with industrialized countries’ life expectancy rates. They will also require 82 years to achieve the same child survival rates and 96 years to match rates of births attended by skilled health personnel. The East Asia and the Pacific countries will take less time to catch up but will still have to wait more than 30 years to reach the life expectancy and child survival rates of the developed countries, and more than 20 years to reach the same birth attendance standards. The issue of hunger is discussed in detail in Chapter 5; health is discussed in Chapter 9.
Asia’s burden of human deprivations

5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0

total
1950 1990
183
East Asia and the Pacific
Southeast Asia
South Asia
Central and West Asia

Figure 1.5 Rural population in Asia (billions).

Location. One of the major factors handicapping a large section of Asia’s population is living in rural or remote locations where they lack adequate opportunities for personal development in terms of education and health or useful employment opportunities. Asians continue to live mainly in rural areas, and this also is where most of Asia’s poor live. Although the composition of the population has gradually changed with economic development, with the urban population growing at a faster pace than population as a whole (Figure 1.5), about 60% of the population in the region still lives in rural areas. Even in 2015, the majority of the population in the region would still be rural residents, based on current trends.

The rural areas of Asia account for 60% of the region’s population but are home to more than 78% of the poor. The latest estimates (using available data from 2005–2010) shows that rural poverty incidence in Asia and the Pacific as a whole was about 31% in rural areas and 13% in urban areas (see Table A1.1). The highest incidence of rural poverty is in South Asia, at about 45%. It was lowest (18%) in East Asia, mainly in the PRC.

On the other hand, sizeable numbers of the poor – around 22% of all poor in the region – live in urban areas. A vast proportion of these people are spillover rural poor migrants – landless laborers or marginal farmers – whose incomes are

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3 Generally, rural is defined as all nonurban areas, with the definition of urban areas differing from country to country but usually defined as towns meeting certain minimum defined populations and densities, and with populations pursuing non-agriculture activities. See, for instance, the definition in Census of India 2011 (n.d.).

4 Authors’ calculation using the 2005 $1-per-day purchasing power parity poverty line and data from World Bank PovcalNet (n.d.).
insufficient for sustenance and who come to cities to find work. These people are among the most vulnerable, living shelterless on pavements or in makeshift tenements, many without work and living with families in the harshest imaginable conditions. They take up informal sector work – mainly in a variety of services and low skill manufacturing jobs. The issue of urban poverty and migration is discussed in Chapter 11.

The rural bias characterizing poverty is due to the low productivity of many of Asia’s farms and other traditional primary sector occupations, such as fishing, rural artisanry, and so forth. A comparison of the productivity of the primary sector occupations that the poor predominantly occupy with that of industry and services sectors bears this out. In Asian countries in general, the value added per worker in industry and services is several times the value added in agriculture (ADB 2011).

**Social exclusions.** Poverty and continued deprivations are often the result of social prejudices and exclusions. Gender-related discrimination is perhaps the most prevalent of these, with women and girls facing some form of social discrimination in almost every country in Asia, including countries that are better off. In some cases, this may take an extreme form, such as when girls are denied life (when female fetuses are aborted or female infanticide prevails) or are denied basic education and primary health care. Boys outnumber girls in primary school enrolment in 29 in the 42 countries in Asia that systematically record this data. In other cases, exclusion may take less extreme but no less insidious forms. For instance, gender discrimination is common in many households, where women and girls often are given less food and nutrition than men and boys leading to greater undernutrition among women and girls and greater female child mortality. For example, Sinha (2009) demonstrated a systematic bias against girls in nutrition and mortality rates in India. Using data from the National Family Health Survey II, Sinha showed that more girls (48.9%) than boys (45.6%) from the age of 12 months to 23 months were underweight; and that female child mortality in the age group 1–4 years exceeded that of boys by 35%.

Women continue to occupy lower-paid jobs, and their participation in jobs outside traditional low-productive occupations, such as agriculture, remains low. The share of women in wage employment in the non-agriculture sector in Asia was 31% in 2009; while in South Asian countries it was below 20% (United Nations n.d.). All of this tends to indicate that the rigors of poverty in Asia fall much more harshly on women and girls.

Gender-related discrimination not only causes more poverty but also, by not allowing women access to better nutrition, education, and health care, reduces the overall productive capacity of the population and imposes a large social cost. One study (Abu-Ghaida and Klasen 2004) estimated that denying girls equal access to primary and secondary education could reduce economic growth in countries where such inequality is acute by as much as 0.4% per annum, and could reduce per capita growth even further by increasing the number of children per woman by 0.6%. When losses due to undernutrition and unequal access to primary health are included, this loss could go up further.
Poverty is also caused by other forms of social discrimination, which impose equally high costs on society. In South Asia, caste discrimination is one such blight. Latest estimates show that poverty and deprivations continue to exist among scheduled caste communities in India (Table 1.1). Indigenous tribes also face discrimination in many countries, including India. Minority status is also a frequent cause of poverty. For example, a Government of India study (2006) of the Muslim population in West Bengal showed that although Muslims constitute about 25% of the population of that state, they account for only 4.2% of government jobs. Muslims also have much higher illiteracy rates and greater lack of education than the general population in India. On almost all social indicators, Muslims fall below that of the general population.

The problems faced by socially discriminated groups in India exist in other parts of Asia too. In several large countries, such as the PRC, Indonesia, and Viet Nam, the problem of deprivations among ethnic minorities remains a critical development issue. The Philippines faces a major development problem with regard to religious minorities in Mindanao, whose progress in social development has been extremely slow. The problem of gender discrimination is acute in several countries of South Asia but it is also a general concern in other parts of Asia.

Unfortunately, not much attention has been paid to social discrimination as a cause of poverty. This may be partly due to the tendency of economists who have been leading the discourse on poverty to treat these “non-economic” issues as parameters that cannot easily be changed by policy. This has, however, postponed serious discussion and action on issues that have a high intrinsic, as well as economic, cost. The cumulative effects of these discriminations could be significantly reducing the economic growth of a country such as India and delaying it catching up with countries such as the PRC that have undertaken major social transformations to do away with these malaises. In addition, such discriminations could be behind social and political turmoil if affected populations realize that, no

| Table 1.1 Comparative social deprivation among scheduled castes compared to the general population in India |
|-------------------------------------------------|-----------------|-----------------|
| **Indicator**                                   | **Scheduled castes** | **Others**     |
| Infant mortality (per 1,000)                    | 39.0             | 22.0            |
| Mortality of children less than 5 years old (per 1,000) | 83.0             | 62.0            |
| Proportion of children below the average weight for their age (%) | 21.0             | 14.0            |
| Proportion of children with anemia (%)           | 78.0             | 72.0            |
| Literacy rate (%)                                | 54.7             | 64.8            |
| Poverty head count ratio, rural (%)              | 42.3             | 33.8            |
| Poverty head count ratio, urban (%)              | 34.1             | 20.9            |


Note: The column for “Others” refers to nonscheduled/nonbackward castes and nonscheduled tribes, except for literacy rate and the poverty rates which are all-India averages.
matter what, they are doomed to poverty for generations and decide that taking up arms against the state is the only alternative.

Particularly problematic are households at the intersection of several dimensions of exclusions – rural and tribal, for instance, or rural, women, and scheduled castes. A combination of such exclusions is possibly at the root of problems in several parts of Asia, such as the central tribal belts of India, the tribal districts of Pakistan’s Khyber Pakhtunkhwa province (formerly North-West Frontier Province), and the Muslim minority areas of Mindanao in the Philippines.

Although all kinds of social exclusions are insidious, those related to gender are most widespread. The subject of gender equality and empowerment of women is discussed in detail in Chapter 8.

**Lack of voice.** Individuals cannot function optimally if their voices are not heard and their needs and wants are neglected. Many countries in Asia suffer from insufficient participatory institutions to enable citizens’ views to be reflected in policies that affect their well-being. This is true both of countries that have embraced democratic institutions and those that have not. Attaining democracy in the true sense requires many conditions to be fulfilled, and many Asian democracies are still struggling to realize such a vision. Unless this is achieved, however, the danger of powerful and elite groups influencing policy priorities and allocation of resources exists, and the needs of the weak and deprived will remain neglected. This is discussed further in Chapter 14.

**Country-related structural and institutional constraints.** Deprivations suffered by large sections of Asia’s population as a result of factors within countries are compounded in many instances by constraints faced by their countries’ economies, which broadly result from two sets of factors. First are the factors over which governments have no control, such as natural and geographic constraints – being a small island nation or a landlocked country. The Maldives, for example, is a small island nation where jobs are limited, a factor that prevents many of its citizens from obtaining proper employment. The Lao People’s Democratic Republic is a landlocked country that depends on trade outlets to its neighboring countries. Such factors inhibit overall development and growth.

But there also are factors such as ineffective policies and institutions, which inhibit citizens’ development and expansion of opportunities. Many countries’ growth and development can be traced to such policies as policies and institutions can limit the ability to conduct business and enterprise. For example, in Singapore it takes only 3 days to set up a business and costs only 0.7% of per capita gross national income, whereas in Cambodia it takes 85 days and costs 109.7% of per capita gross national income (World Bank 2011). Asia as a whole is still far behind developed countries in this respect.

Similarly, ineffective policies and improper priorities may be one reason that citizens of some countries do not enjoy facilities of basic infrastructure such as access to roads, electricity, clean water, and improved sanitation, whereas citizens in other countries do. Asian populations, on average, have access to only 14.8 kilometers of paved roads per 10,000 people (compared to 108 kilometers per 10,000 people in Organisation for Economic Co-operation and Development
countries), and about 20% of Asian households still have no access to electricity. There also is wide variation in these basic infrastructure outcomes within Asia.

The lack of basic infrastructure inhibits both overall growth and human development opportunities. ESCAP, ADB, and UNDP (2012) showed, for example, that roads play an important role in helping students complete their primary education, in facilitating attendance of skilled health personnel during births, and in increasing the immunization of children. Sanitation plays a very important role in the health of mothers, children, and the general population.

Several Asian countries are also plagued by internal conflicts. This affects both those who are directly affected and the economic well-being of the whole economy, which gets drained of financial and human resources.

**Implications of continued deprivations amidst plenty**

Continued large deprivations and wide differences in social outcomes are intrinsically undesirable. It is difficult to accept that large sections of a population continue to live in miserable conditions while the rest are prospering. This unfairness and inequity is itself a cause of dissatisfaction and reduction in well-being for the disadvantaged populations, particularly because modern communication devices, such as television, bring home to deprived audiences how far behind they are (see e.g., Graham and Felton 2005; Wodon and Yizhaki 2002).

Equally importantly, such inequities have implications for the economic development of individual countries and the region as a whole. Lack of social development in individual countries – such as insufficient education or poor health among the population – obviously affects their labor productivity and reduces their growth prospects. But these could pull the region down too. A less-developed country with its low consumption capacity has little potential to act as a market for others. Low productivity may also inhibit such countries from participating in productive regional manufacturing supply chains and thus reduce intraregional trade and mutually beneficial productive exchanges within the region.

The continued existence of large-scale deprivations and the restiveness this may cause in the deprived populations of some countries may also lead to problems of security and political instability, which could spill over to neighboring countries. The region is increasingly facing such threats. In addition, unequal development has been a cause of illegal immigration from poorer to richer countries, leading to tension and conflict among countries (see e.g., Shamshad 2009; Taylor 2007). Such deprivations could therefore pose a threat to the sustainability of Asia’s growth and to its unity and integration and should spur Asian nations to help each other overcome them.

**Key elements of a strategy to eliminate deprivations**

Asia’s impressive growth performance and the reduction in income poverty resulting from it have contributed to the impression that the battle against poverty has been won and that now we must look for other goals to achieve. Several
countries in the region are moving from the goal of poverty reduction to other objectives. India has focused on inclusive growth, the PRC has focused on creating a harmonious society, Thailand has focused on growth with equity, and Vietnam has focused on “quick and sustainable development, economic growth in parallel with implementation of initiatives, social equity, and environment protection” (Ali and Zhuang 2007, 1). Although there is no doubt that a dramatic reduction in income poverty has indeed taken place, one-fifth of the region’s population remains in extreme poverty, and, as has been discussed, Asia continues to suffer from a large number of other non-income poverty-related deprivations too.

Although promoting inclusive growth must remain a major instrument to reduce deprivations, it must be bolstered with other proactive measures to remove deprivations if a concerted effort to end deprivations is to be made.

To explain why this is so, we must begin by defining inclusive growth, which, unfortunately, has several interpretations. Inclusive growth has first to be distinguished from pro-poor growth. Pro-poor growth is a pattern of growth that benefits the poor and, as Ravallion (2004) noted, this has been defined variously—as growth that reduces income poverty faster than is true when all incomes grow equally (Kakwani and Pernia 2000), or as a growth process in which the poor benefit in absolute terms, as reflected in an appropriate measure of poverty (Ravallion and Chen 2003). On the other hand, inclusive growth focuses on including all, with the benefits of growth more equitably distributed among all income groups. For example, Berg and Ostry (2011) defined inclusive growth as growth that increases the share accruing to the bottom income quintile. Other definitions are broader and include other dimensions of inclusion. For example, in its Eleventh Five Year Plan, India’s Planning Commission states that inclusive growth is “growth that reduces poverty and creates employment opportunities, access to essential services in health and education, especially for the poor, equality of opportunity, empowerment through education and skill development, employment opportunities underpinned by the National Rural Employment Guarantee, environmental sustainability, recognition of women’s agency, and good governance” (Government of India, Planning Commission 2008, 2).

By this definition, inclusive growth is growth that creates opportunities, expands capabilities, and is environmentally sustainable. The definition includes deliberate state action such as employment generation, education, and skills development programs and may be more appropriately termed inclusive development. Merely relying on participation in growth by a larger section of society, including the income poor, will not generate an expansion of capabilities without such proactive state action. Several studies, including the recent report from ESCAP, ADB, and UNDP (2012), have empirically shown that this has not happened in Asia.

The fact that growth has had a strong effect on income poverty in Asia, particularly in earlier decades when it was more broad-based, is not disputed. For example, ADB (2004) found an elasticity of roughly 2.0 between per capita economic growth and reduction in income poverty. This strong relationship between the two is weakening, however, as growth is becoming less inclusive
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and inequalities are widening in several countries. Nevertheless, it still plays an important role in reducing income poverty. On the other hand, growth plays a significantly smaller role in reducing other deprivations; elasticities of growth with measures of hunger and nutrition, education, and health are all quite low (Figure 1.6).

The reasons growth affects income poverty reduction more than the other measures of deprivation are not difficult to discover – even if incomes increase as a result of higher economic growth thus reducing poverty, improved nutrition, education, and health outcomes are not guaranteed. In a cross-country study of countries in Asia, for example, child nutrition was found to be related to factors such as expenditures on health, child immunization, sanitation coverage, population growth, and women’s empowerment – apart from GDP per capita (Chatterjee and Francisco 2011). All of these factors had more influence than economic growth on the reduction of child malnutrition. Similarly, child mortality is affected by immunization, women’s development, increased health expenditures, and improved governance through control of corruption. Maternal mortality is most affected by the presence of skilled health personnel at birth, whereas factors such as the availability of doctors, the overall per capita expenditures on health, and reduction of corruption also play critical roles apart from economic growth.

A comprehensive agenda to reduce deprivations in Asia should therefore rely on an inclusive growth strategy that includes active public action to expand capabilities (to use Sen’s terminology). It is in recognition of this that several later definitions of inclusive growth have alluded to this important need for genuine
inclusiveness.\textsuperscript{5} Such proactive actions to expand capabilities are essential; without them, Asia’s massive deprivations cannot be reduced within a definite time frame.

Finally, it must be recognized that inclusive growth is essentially an instrument and not a goal. Growth, even if inclusive, is an instrument to achieve something – it cannot be an end in itself, and an individual or society cannot find satisfaction merely from the inclusive growth process. Trying to increase the pace of inclusive growth without clearly specifying goals and objectives, such as poverty reduction, and the speed at which such goals and objectives are to be achieved could make a development strategy based on growth, even if inclusive, directionless. These suggest that a meaningful development strategy for eliminating deprivations in Asia must have three key components.

First, it must define a set of development goals to be achieved within a definite time period, emphasizing the removal of Asia’s large-scale deprivations in areas of income and human (non-income) poverty.

Second, it must present a credible development strategy that will help achieve these goals. Such a development strategy must encourage rapid expansion and growth, which are essential to removing deprivations given that most developing countries in Asia have low standards of living. Such growth must also be broad-based and inclusive. Given its potential role, therefore, broad-based and inclusive growth must be considered one of the key instruments for achieving Asia’s development goals, and ways of strengthening inclusive patterns of growth must be sought.

Third, the development strategy must include proactive public action beyond ensuring inclusive patterns of growth as another major instrument focused on expanding capabilities and achieving the goal of eliminating deprivations. These would include enhanced provision of basic services such as education, health, and social protection.

Such proactive action by the state, which must work with other stakeholders, must include establishing an appropriate policy and institutional environment for inclusive growth and effective state action to work. These would include policy actions to encourage inclusive growth, investments in basic infrastructure, fostering partnerships with the private sector and civil society, improving participation, and strengthening institutions to ensure achievement of public responsiveness to the needs of the poor and effective delivery of services to the deprived. The following sections further discuss each of these elements in the context of Asia.

\textit{Specifying development goals and agenda}

Achieving consensus on what should be Asia’s development goals is a nearly impossible task, given the variety of individual and societal circumstances.

\textsuperscript{5} ADB (2008) for example defined inclusive growth with both these elements: promoting high, sustainable growth to create and expand economic opportunities; and ensuring access to these opportunities – noting that this would require proactive measures to expand human capacities, especially for the disadvantaged. Thus, the ADB definition, strictly speaking, deals with a somewhat wider concept that embraces other development actions and is more akin to the concept of inclusive development.
Overall, however, the dominant challenge is to ensure an acceptable and decent level of living and functioning for all of Asia’s citizens. This would require immediate and urgent attention to removing all major deprivations suffered by populations across Asia; however, even when it is agreed that the ultimate aim should be to drastically reduce Asia’s major deprivations, an agreed-upon list of such deprivations will be difficult to develop. A village in Rajasthan, India, which perennially faces a shortage of water, will naturally place this as its highest need, although meeting this goal may be an unnecessary objective for a barangay in Eastern Samar in the Philippines, which experiences excessive rainfall throughout the year. This is one of the major dilemmas that the capability approach has had to grapple with (see Appendix 1.1).

Such a dilemma also brings to light another essential fact: goals will differ among larger and smaller associations and groupings within any society. Thus, while access to clean water may be of the highest significance for desert villages in India’s Rajasthan state, ensuring adequate nutrition for children may have higher priority for India’s national planners given the widespread nature of that problem throughout the country and the need to address it with greater urgency.

Despite the fact that goals will vary across societies and at each level, there still is a need to set goals at each operational level where instruments will be effectively brought into play. Thus, development goals will exist at regional, national, provincial, municipal, and village levels. Regional actors who deploy resources at the regional level, such as regional cooperative institutions and regional financial institutions, will have regional goals, whereas national and subnational entities will have their own set of objectives for their respective level of operation. At each level, the manner of goal setting will have to be fully participatory if it is to correctly reflect the social will and result in an optimal use of scarce resources. This is an area in which countries in Asia need to do much more. Institutional arrangements to reflect social will, especially the needs and requirements of the weakest and marginalized groups in society, must be developed.

As was suggested, if a development strategy is to have any meaning, goals must be achieved within a specified time period. This period must be realistic to allow instruments sufficient time for attainment, but it also must not be so long that those facing poverty and other deprivations are unable to see themselves tangibly benefitting.

The MDGs fit most of these criteria for national development goals. They focus mainly on removing deprivations and expanding capabilities. They have a definite time frame for achievement (by 2015) and, if achieved, will make a very substantial contribution to ending Asia’s large-scale deprivations. They were developed through a consultative process guided by the United Nations and agreed to by heads of state. As development goals, they have a wide degree of international acceptability that other development goals have not achieved. Within Asia too, the cause of the MDGs has been championed by several countries, and all have confirmed them at several high-level regional gatherings, for example, in the Jakarta Declaration of August 2010. The MDGs do suffer from lack of reflection of country priorities inasmuch as the list of indicators is common to all, but it can
be argued that this problem is addressed to some extent because the magnitudes of the improvements (the targets) are specific to each country. Furthermore, many countries have added goals that they feel reflect their own needs, which further rectifies the MDGs’ lack of country specificity.

An MDG-type approach is necessary to provide overall directions for development in Asia. We now turn to a brief overview of the other two essential elements of the strategy for ending deprivations in Asia.

**Fostering broad-based and inclusive growth**

Growth is essential if the huge burden of Asian deprivations is to be tangibly reduced. The effect of such growth can be significantly increased if an appropriate pattern of growth that helps reduce such deprivations – namely, inclusive growth – can be fostered.

Some may argue that growth itself is beneficial in that it can indirectly lead to benefits for the poor and deprived, helping to generate government revenues that are then directed toward activities to expand their capabilities. Because there is a growth/equity trade-off, however, attempting to foster inclusive growth may, on the other hand, cause overall growth to fall and hurt governments’ ability to act on behalf of the poor. So why not try to maximize growth, on the one hand, and then use the larger government revenue accruals to act in favor of the poor on the other?

There are several problems with this line of argument. First, the benefits that accrue to employment, growth, and incomes for the poor from an economy-wide move toward inclusive growth are enormous – if this can indeed be achieved – and the potential benefits, even if limited mainly to income poverty, far exceed those which governments can produce out of augmented revenues from growth. We argue this point in more detail in Chapter 2. Critics of the increased state involvement in the economy that this somewhat *dirigiste* process would entail may also claim that this is an inefficient alternative to directly training growth along inclusive lines. Success of such a publicly intermediated process also requires an enlightened and fully responsive government. But an inclusive pattern of growth need not lead to a fall in growth. In fact, if inequalities in growth persist, such growth will in time become unsustainable (Berg and Ostrey 2011).

Fostering inclusive growth will require state action on several fronts, involving both policy and investment action. Setting proper policies and incentives to train growth along inclusive lines can have powerful effects. For example, the state can provide incentives to entrepreneurs to maximize growth along inclusive lines through policy actions to invest in lagging regions. This may be done through fiscal incentives, provision of land, easy access to credit, and so on. Government could also encourage entrepreneurs to engage in more labor-intensive modes of production by removing various market-distorting hidden subsidies that reduce the true cost of capital. It could also help develop skills to enable more employment-intensive growth (as discussed in detail in Chapter 7), encourage production in sectors with high employment potential, such as agriculture or small enterprises,
and provide incentives for “bottom-of-the-pyramid” approaches for entrepreneurs. Government may also need to take direct investment action on its own to foster an environment conducive to inclusive growth.

Another important set of state actions is to build the infrastructure necessary to generate growth along inclusive lines. These would involve, for example, expanding investments in rural infrastructure, such as rural roads and electrification, and setting up industrial estates for small and medium-sized enterprises (SMEs). The state may also need to ensure that vital resources and inputs for fostering inclusive growth are made available, such as arranging for expanded credit lines for rural finance, microfinance, and SMEs. Methods of making growth more inclusive are explored in more detail in Chapter 2.

**Proactive public action at inclusion**

Although all attempts must be made to foster genuine inclusive growth, this process must be buttressed with state action. The state will have to play a vital proactive role in fostering inclusion if we are to see an elimination or very significant reduction in deprivations in Asia within a generation or so. The nature of public action needed to significantly assist in removing deprivations can be classified into four broad areas.

First, the state could engage directly in providing basic services to the deprived to remedy constraints inhibiting a fuller realization of their capabilities and functioning. This would involve services in areas of education, health, nutrition, water and sanitation, and so on. Because such activities have high social but low private returns, it is unlikely to be performed by anyone other than public entities, unless the private sector or civil society players are provided adequate incentives through public–private or public–nongovernment organization partnership arrangements. Although mechanisms to foster such partnerships are being developed, the onus of basic services provision will lie mainly in the domain of the public sector. An MDG-type approach, for instance, is a good example of public action geared toward eliminating deprivations and generally relies on state action to achieve it.

In the context of Asia and the Pacific, the need for proactive and vigorous state action is urgent given the somewhat insufficient progress on human and social development during the past two decades. This is illustrated by the progress made toward the targets for a few critical MDG indicators (Figure 1.7). Progress has been slow on reducing child hunger (measured by the incidence of underweight children); gender empowerment (measured by the participation of women in non-agriculture wage employment); the crucial health goals of child and maternal health; access to clean water in urban areas; and on access to basic sanitation. Although the education targets appear to have been reached, improving the quality of basic education remains a major problem in the region.

Asia’s effort to achieve the MDGs is discussed in detail in Chapter 3. Chapters 4 through 11 discuss the various ways countries have tried to speed up basic services provision in pursuit of the various MDGs and the critical issues that remain.
Apart from provision of basic services, the state may also need to intervene to remove economic constraints that prevent deprived households from gainful engagement in economic functioning, either as producers or as workers. Entrepreneurship may be thwarted or forced into unproductive channels owing to constraints on resources such as finance, land, technology, or business skills. Deprived households may be compelled to offer their labor at less than market terms, owing to market distortions, exploitation, or discrimination based on gender, caste, minority status, or other social categories. The state will have to intervene to set this right.

The third major area of public action is in providing social protection. During normal time, capable household participants in the economy can usually fend for themselves without state support; however, structural disturbances to the economy can come about due to economic factors (cyclical downturns such as the global economic crisis), environmental causes (catastrophic climatic events such as cyclones, tsunamis, or earthquakes), or conflicts and other human-caused disturbances, which can temporarily or permanently relegate such households to states of deprivation. Private insurance and support from civil society often proves inadequate – particularly in less-developed societies where large sections of the population live at the fringes of poverty – and state involvement becomes essential in such circumstances. The social protection coverage of the populations of most countries is quite inadequate, and increasing coverage poses a major development
challenge in Asia. The comparative picture of population covered under some form of social protection in East Asia and the Pacific and South Asia, compared to Europe and Central Asia, and Latin America and the Caribbean shows Asia in a poor light (Figure 1.8). The issue of social protection in the Asian context, focusing on experiments with safety nets in Indonesia and the Philippines, is discussed in detail in Chapter 12.

Successful state action assumes an effective and responsive government. This involves the reform of governance and institutions. The record of Asia is poor in this respect. Although Asia has grown rapidly, its participatory and democratic institutions have not kept pace, resulting in generally inadequate public sector responses to the needs of the poor and marginalized. This is true even in the world’s largest democracy, India, where a major movement led by civil society has compelled the government to view this subject seriously. What is needed is better and more effective functioning of government agencies at all levels, as well as institutional and policy reform to ensure effective response to the needs of poor and deprived groups, ensuring that they can voice their needs and receive a response.

This will require action in several areas. More effective public services delivery may require actions such as undertaking decentralization, with better empowerment of local bodies and improvement of their capacities to perform; adopting results-based approaches in the functioning of public agencies; compelling public action in core capability building areas by codifying them as rights by statute (e.g., recognizing the right to education, food, and health, or ensuring representation of women and deprived groups in parliament through minimum quotas); and rooting out corruption at all levels. Strengthening responsiveness may require spreading awareness about rights and entitlements among the poor and deprived groups, an activity in which the media and civil society can play a more active role; developing participatory mechanisms; obtaining routine feedback; and acting on this

![Figure 1.8](image.png)

*Figure 1.8* Comparative social protection coverage, 2005–2010.

*Source: World Bank (n.d.).*
Chatterjee and Ramchand

information; and so on. The issues of government effectiveness and participation are discussed in more detail in Chapters 13 and 14.

Finally, action to end poverty and deprivation in the region can be significantly strengthened through regional cooperation among countries. Given the increasing integration of world and regional economies, the living conditions of Asia’s citizens depend not only on national policies and actions but also on economic interactions among countries. Efforts to make such interactions favorable for the poor and deprived must be made. This is the subject of Chapter 15.

Table A1.1  Proportion of population below the $1.25-per-day poverty line (%)

<table>
<thead>
<tr>
<th>Country/subregion</th>
<th>Earliest year (%)</th>
<th>Latest year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Rural</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central and West</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia 1999</td>
<td>28.62</td>
<td>33.11</td>
</tr>
<tr>
<td>Azerbajan 2001</td>
<td>6.32</td>
<td>5.45</td>
</tr>
<tr>
<td>Georgia 2002</td>
<td>. . .</td>
<td>. . .</td>
</tr>
<tr>
<td>Kazakhstan 2001</td>
<td>13.62</td>
<td>18.04</td>
</tr>
<tr>
<td>Kyrgyz Republic 2003</td>
<td>34.03</td>
<td>39.29</td>
</tr>
<tr>
<td>Pakistan 1999</td>
<td>29.05</td>
<td>33.46</td>
</tr>
<tr>
<td>Tajikistan 1999</td>
<td>49.40</td>
<td>50.30</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>. . .</td>
<td>. . .</td>
</tr>
<tr>
<td>East Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China, People’s Republic of</td>
<td>1996</td>
<td>36.37</td>
</tr>
<tr>
<td>South Asia</td>
<td>51.30</td>
<td>54.63</td>
</tr>
<tr>
<td>Bangladesh 1992</td>
<td>70.22</td>
<td>74.23</td>
</tr>
<tr>
<td>Bhutan 2003</td>
<td>26.23</td>
<td>36.21</td>
</tr>
<tr>
<td>India 1994</td>
<td>49.40</td>
<td>52.46</td>
</tr>
<tr>
<td>Nepal 1996</td>
<td>67.97</td>
<td>71.90</td>
</tr>
<tr>
<td>Sri Lanka 1991</td>
<td>15.01</td>
<td>16.26</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia 1994</td>
<td>44.50</td>
<td>48.48</td>
</tr>
<tr>
<td>Indonesia 1996</td>
<td>43.38</td>
<td>46.75</td>
</tr>
<tr>
<td>Lao PDR 1993</td>
<td>55.68</td>
<td>58.96</td>
</tr>
<tr>
<td>Malaysia 2004</td>
<td>0.54</td>
<td>1.16</td>
</tr>
<tr>
<td>Philippines 1994</td>
<td>28.11</td>
<td>36.42</td>
</tr>
<tr>
<td>Thailand 1990</td>
<td>11.55</td>
<td>13.44</td>
</tr>
<tr>
<td>Viet Nam 1993</td>
<td>63.74</td>
<td>73.94</td>
</tr>
<tr>
<td>The Pacific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiji, Republic of 2003</td>
<td>29.16</td>
<td>34.29</td>
</tr>
</tbody>
</table>

Sources: Author’s estimates using data from ADB (2011), World Bank PovcalNet (n.d.), and Wan, Zhu, and Chatterjee (Chapter 4 of this volume).

Note: . . . = no data.
Appendix 1.1: ends of development

In a number of influential publications since the 1980s, Amartya Sen has advanced the idea of development as freedom from deprivations, as opposed to development as attainment of welfare or satisfaction based on acquisition of income, wealth, and material wants. The general approach suggested by him, along with others such as Nassbaum (1988), has come to be known as the capabilities approach (Sen 1979b, 1984, 1985a, 1985b, 1999).

Very briefly, the capabilities approach perceives development as a process that helps individuals realize their full potential, enabling them to function fully and productively. This approach differs considerably from the dominant philosophy of development – persisting even today – that development seeks to maximize utility or satisfaction and that this goal can be fulfilled by expanding material consumption and possession through income and wealth. The capabilities approach rejects the pursuit of economic growth as an objective because it is at best an instrument to increase utility (and an inefficient instrument at that, according to the capabilities approach) and also because the utilities approach has several weaknesses, including a failure to account for interpersonal differences in perceptions of satisfaction due to factors such as mental conditioning, social circumstances, and the intensity of likes and dislikes caused by individual differences. These do not allow utility to be properly valued or used as an instrument of policy.

The capabilities approach also differs from the basic needs approach pioneered by Streeten (1977). The basic needs approach is also resource-focused and tends to emphasize the fulfillment of needs without accounting for the fact that the needs of individuals in society differ greatly and that there is a need for an agency, for example, to determine what is optimal for individuals. The basic needs approach also fails to take into account the actual distribution of resources within a family.

The capabilities approach is closely related to the human development approach in that the human development approach can be considered a combination of the capabilities approach and the economic growth approach. The Human Development Index thus focuses on life expectancy, education, and economic growth, recognizing that both capability expansion and fulfillment of material needs are important objectives.

The ultimate goal of the capabilities approach is to achieve the maximum potential functioning of individuals by helping them overcome the obstacles to such full functioning. This is attained by expanding capabilities according to the needs specified by individuals or groups through a fully participatory and democratic process (defined as “agency”). Some of the more important areas in which capabilities must be expanded are education, health, and the environment.

The major contribution of the capabilities approach is to bring the focus of development back from the macroeconomic abstraction of economic growth as an objective of development to fulfilling the needs of the individual, where it should truly belong. This has particular relevance for the current debate about the ends of development in Asia, where pursuing the growth objective has failed to deliver development to large sections of Asia’s population.
Two principal criticisms of the capabilities approach have been advanced over the years (see for example, Clark 2005). First, some argue that the approach does not specify a set of capabilities that needs expanding, and that the agency and participation solution is in many instances not usable for determining the optimal capability set within a social grouping. Second, some believe that on the whole it is not possible to practically operationalize it. Both criticisms are unjustified. As the development of the MDG has shown, it is possible to agree even globally on a broad set of capability areas to be emphasized. It is also a practical approach to tackling head-on the existing large-scale deprivations, rather than expecting the magic of economic growth to solve all problems.

Although the capability approach has helped crystallize understanding of the true goals of development, the importance of resources and income as instruments to fulfill them cannot be underestimated. The fact that higher household incomes enable much better functioning of humans cannot be denied, although it is not sufficient. Governments, too, gain more flexibility and can help improve individual functioning if they have access to more revenues, which higher economic growth can bring. But, of course, economic growth is not the ultimate goal of development, and overreliance on it has distorted priorities, moving away from the ultimate development of human functioning and well-being where it should rightfully rest.

Moreover, there can be other goals that are equally important. Removal of inequality is gaining ground as a major development goal because inequality can lead to considerable dissatisfaction. Sen (1979a) rightly asked, “Equality of what?” This would be equality in all dimensions where individuals find themselves in adverse situations compared to their peers. This could be in terms of both resources and functioning. Also, can individuals be content after they have achieved their desired level of functioning, or does human nature keep demanding constant improvement in order to be content? These also need to be taken into consideration.

References

6 ADB recognizes China by the name People’s Republic of China.


2 Strengthening inclusive growth to reduce extreme poverty and other social deprivations

Shiladitya Chatterjee

Efficacy of inclusive growth as an instrument for ending deprivations

If development policy makers could influence the pattern of growth at will, strengthening inclusive growth – rather than scaling up public efforts to achieve redistributive inclusion by utilizing the benefits of growth accruing to government coffers – would be one of their major instruments to eliminate deprivations.

It is evident that truly inclusive growth can have a much bigger effect on employment generation and incomes than any government program. Total government expenditures are a small fraction of gross domestic product, and government employment generation programs comprise only a small part of this. In India, for example, national government expenditures are around 15% of gross domestic product, and the Indian National Rural Employment Guarantee Program has annual outlays comprising only about 1.5% of total national government expenditure. Thus, the effect of government programs is quite limited compared to the potential benefits that can flow from attempting to even marginally increase inclusiveness in the country’s overall growth, such as by improving the employment elasticity of growth.

Asia’s record on inclusive growth has, however, been poor in terms of reducing inequality, and this strengthens the argument for a bigger public sector role. Even where inclusive growth is expected to deliver the most benefit (i.e., income and employment generation), regional experience suggests that Asia has performed poorly compared to Latin America and the Caribbean, a region with which Asia is usually compared. The effect of inclusive growth on other social outcomes has been weaker still.

To begin with, let us consider the narrower, income-related objectives of reducing income poverty and improving income distribution. As indicated in the previous chapter, growth has had a very favorable effect on income poverty in the region and can be said to have been pro-poor if, like Ravallion and Chen (2003),

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1 I am indebted to Juzhong Zhuang for comments on this chapter.
2 For a fuller description of lack of inclusiveness of the region’s growth, see Zhuang (2010). Zhuang found that Asia’s growth has not been very inclusive, in the sense that inequality has increased, although Asia has done very well in reducing the level of extreme poverty.
one defines a growth spell as pro-poor if it simply reduces poverty. Scatter plots show a clear negative relationship between economic growth and poverty reduction (Figure 2.1).

As far as effect on income distribution is concerned, Asian performance has been less favorable. Asian Development Bank (ADB) estimates show that in the 1990s and 2000s, 14 of 20 developing countries in Asia experienced increasing inequality (Figure 2.2). Using the Rauniar and Kanbur (2010) definition of inclusive growth (i.e., growth is inclusive if the growth of income in the lowest quintile is not lower than growth of average per capita income), the International Monetary Fund (2011) estimated that growth was not inclusive in South Asia (excluding India) and the People’s Republic of China (PRC) because the incomes of the bottom quintile increased less than proportionately with the increase in average per capita incomes in these countries. In Cambodia, India, Indonesia, the Philippines, Thailand, and Viet Nam, the incomes of the bottom quintile increased proportionately. Latin America performed better, with the entire developing region experiencing inclusive growth according to this definition, and Brazil performed even better – its bottom quintile experienced a significantly greater proportional increase than the average growth of incomes.

As we go further from income-related objectives, the effect of growth is seen to be progressively weaker, and judging by the effect of growth on employment creation, inclusive growth has been weaker still. The International Labour Organization (2009) estimated that the average employment elasticity of growth, defined as the percentage increase in employment caused by a 1% increase in gross domestic product, fell in the two most populous subregions of Asia between the periods 1996–2000 and 2004–2008. It fell from 0.2 to 0.1 in East Asia and from 0.3 to 0.2 in South Asia between these periods, although it increased from 0.1 to 0.4 in Southeast Asia during the same period. This fall was accompanied by rising

![Figure 2.1](image-url) Relationship of economic growth and poverty reduction in Asia.
growth rates, a trend that is similar to all other major developing regions in the world (Table 2.1).

Data on employment and labor force growth shows that although developing Asia experienced an average growth rate of 6.4% in the period 1990–2008, its employment growth rate of 1.5% per annum fell short of the growth in the labor force, which grew at 1.6%. On the other hand, this was not true of any other other developing region (Table 2.2). In addition, as much as two-thirds of employment in developing Asia was in the low-productive informal sector. This may be compared to just one-third for Latin America and the Caribbean.

Finally, moving to human development outcomes, as we have indicated in the previous chapter, the effect of growth has been weak, with growth hardly affecting social indicators related to improvement of other social outcomes. As illustrated
Table 2.2 Growth of gross domestic product, population, labor force, and employment in Asia and other regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Compounded annual growth rates (1990–2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Real gross domestic product per capita (%)</td>
</tr>
<tr>
<td>Developing Asia</td>
<td>6.4</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>1.9</td>
</tr>
<tr>
<td>Organisation for Economic Co-operation and Development Countries</td>
<td>1.8</td>
</tr>
</tbody>
</table>


Figure 2.3 Millennium Development Goal indicators ranked by proportion of Asian countries that are off track.

in the growth elasticities of Figure 1.6 in Chapter 1, the effect of growth on undernutrition and child and maternal mortality is much lower than the effect on income poverty. The region thus continues to suffer large deprivations with hardly any dent being made in the proportion of the undernourished, and there is
insufficient progress on health and sanitation. This is reflected in the slow progress made in the Millennium Development Goal (MDG) indicators. Figure 2.3 shows the proportion of ADB developing member countries that are off track on 21 critical MDG indicators. The indicators shown in black indicate that the region as a whole is also unlikely to meet the target for that indicator, whereas grey implies that it will. The region is seriously underperforming on the health, nutrition, sanitation, education quality, and some environment indicators.

**Actions to strengthen inclusive growth**

It is arguable whether governments can exercise any significant control over the pattern of growth and whether there exist effective policy instruments to make any change in the pattern in the medium term. The India Planning Commission’s Eleventh Five Year Plan which focused on inclusive growth, for example, had proposed several actions to strengthen it. Most of these relate to proposed direct state investments, which are based on projected enhanced revenue and market borrowing capability due to growth. There are few proposed policy or institutional changes to generate an inclusive growth pattern, and the results in the medium term are uncertain (Box 2.1).

**Box 2.1 India’s approach to inclusive growth**

India’s Eleventh Five Year Plan, which adopts the theme of inclusive growth, provides a regional model of sorts on ways to achieve inclusive growth. The foreword, written by Prime Minister Manmohan Singh, lays out the objectives of inclusive growth very well.

Our ultimate objective is to achieve broad-based improvement in the living standards of all our people. Rapid growth is essential for this outcome because it provides the basis for expanding incomes and employment and also provides the resources needed to finance programs for social uplift. However, it is not by itself sufficient. We also need to ensure that growth is widely spread so that its benefits, in terms of income and employment, are adequately shared by the poor and weaker sections of our society…

“For this to happen, the growth must be inclusive in the broadest sense. It must occur not just in our major cities but also in our villages and small towns. It must be spread across all states and not just limited to some. It must generate sufficient volumes of high-quality employment to provide the means for uplift of large numbers of our population from the low-income, low-quality occupations in which too many of them have been traditionally locked…

The rapid growth achieved in the past several years demonstrates that we have learnt how to bring about growth, but we have yet to achieve comparable success in inclusiveness.

The major focus of the plan to promote an inclusive growth process is to emphasize employment generation in agriculture and rural development as well as skills development to generate more employment-intensive growth in the non-agriculture sectors. Although the document discusses the need to stress the generation of more gainful
employment outside the rural sector, the overall impression is that the government’s instruments are somewhat limited in this respect. The plan highlights legal and institutional constraints such as a lack of flexibility in the labor market, which acts as a disincentive, and the existing reservations policy for the small and medium-sized enterprise sector, which hampers the growth of micro-enterprises. Interventions to address these constraints seem to be difficult. Similarly, there is not enough emphasis on specific attempts to expand nonfarm rural enterprises, encourage the private sector to participate in bottom-of-the-pyramid approaches, or encourage greater productivity increases in the non-agriculture informal industry and tertiary sectors.

On the whole, apart from this emphasis on rural employment generation, the plan places major emphasis on expanding public sector investments to create access to opportunities from growth, such as investments in education and health. Although such efforts are obviously laudable, it also demonstrates the difficulties of training growth along more inclusive lines in an economy where growth is driven mainly by private sector agents, and attempts at inclusion may need to focus more on the public sector’s effort to provide more access to opportunities created by growth.


One of the main reasons that it may be difficult to tinker with the growth pattern to force inclusiveness is that growth may involve some inevitable increase in inequality. This is the basis of the Kuznets inverted U curve, discussed extensively in the literature, which posits that all countries experience a rise in inequality as a result of the structural change from primary to secondary occupations that accompanies development, but that inequality starts to decrease as more of the population is transferred to secondary occupations (Chatterjee 1995). However, even small changes to foster inclusive growth are likely to yield large gains. Therefore, although state interventions may be the only practical alternative, efforts to nudge the growth process toward inclusiveness must continue. Some policy actions that can help are discussed below.

Encouraging productive employment growth in labor-intensive sectors and encouraging structural transformation toward high and productive employment

If the growth process led to increased employment generation in high-productive activities, then it would be inclusive. A substantial proportion of employment in Asia, however, is in low-productive sectors such as subsistence agriculture and informal industries and services. Thus, expanding productive employment would require promoting growth in economic sectors with great potential to generate productive jobs, including stimulating agriculture with, among other things, modernized productive farming techniques and better marketing organization and infrastructure; expanded growth in manufacturing; and growth in productive services. Looking at employment elasticities of growth in sectors within countries (shown for Asian subregions in Table 2.3) provides a clue about where the largest gains in employment can be found, and growth must be focused on these sectors.
Table 2.3 Sectoral employment elasticity and average annual value-added growth rates, 1991–2003

<table>
<thead>
<tr>
<th>Region</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Elasticity</td>
<td>Value-added growth (%)</td>
<td>Elasticity</td>
</tr>
<tr>
<td>East Asia</td>
<td>0.23</td>
<td>3.70</td>
<td>0.06</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>0.20</td>
<td>3.70</td>
<td>0.10</td>
</tr>
<tr>
<td>Southeast Asia and the Pacific</td>
<td>0.20</td>
<td>2.10</td>
<td>0.68</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.20</td>
<td>2.20</td>
<td>0.90</td>
</tr>
<tr>
<td>Philippines</td>
<td>0.30</td>
<td>2.30</td>
<td>0.70</td>
</tr>
<tr>
<td>South Asia</td>
<td>0.71</td>
<td>2.90</td>
<td>0.37</td>
</tr>
<tr>
<td>India</td>
<td>0.80</td>
<td>2.80</td>
<td>0.30</td>
</tr>
</tbody>
</table>


and subsectors if it is to be inclusive. However, it is not employment alone but productive employment that has to be achieved.3

Agriculture remains the mainstay of the poor and constitutes their major occupation in most of Asia; however, a major part of their poverty is due to the low productivity of traditional agriculture. In some agricultural systems the gains from the green revolution have tapered off and yields have plateaued. Attempting to expand productivity growth in agriculture would require interventions on several fronts, and although specific country circumstances vary, some are likely to be common to all. Needed interventions include a substantial upgrading of rural infrastructure, particularly of irrigation; farm-to-market access roads; access to electrification; and developing infrastructure for cold chains to improve markets. Tenure reform to provide security to tenants (where this is yet to take place) is another major area where improvement is needed to foster agriculture growth.

Access to finance by the rural population, including farmers, and particularly poor and marginal farmers, is another generic need throughout Asia. The rural

3 Employment elasticities must be taken with a pinch of salt. Employment data, particularly in the sectors where employment is predominantly in the informal sector, such as agriculture, are subject to estimates from surveys and other sources that are often inaccurate. A lot of employment – such as in agriculture – is disguised unemployment. Thus, although the International Labour Organization has estimated the employment elasticity of agriculture in South Asia to be very high, most of this elasticity is additions to disguised unemployment. Some Indian estimates, therefore, place the employment elasticity of agriculture at zero (Rangarajan, 2006).
population comprises a vast unbanked sector for Asian banks and financial institutions. Commercialization and crop diversification, with better direct access and linkages to markets, including export markets, also contains a large potential for growth. This would require infrastructure, organization, and policy changes. Support to agriculture research is another key needed intervention. Studies have shown that this has a very high payoff at a low cost and is perhaps the most cost-effective way to directly support agriculture. Given climate change, supporting development of crop strains that can withstand droughts and floods is also needed. Advances in biotechnology will have to be seized.

The rural economies of Asia depend crucially on non-agriculture-related activities, and raising the productivity of such activities while expanding them to draw households out of low-productivity agriculture employment can be a major intervention for inclusive growth. Small, highly labor-intensive enterprises engaged in agricultural processing, manufacturing, and services make up the rural nonfarm economy in Asia. The rural nonfarm sector is plagued by low productivity, owing to small size, low technologies, and low capital intensity. Investment climate surveys indicate the many binding constraints that such enterprises face, including (as in agriculture) lack of access to financial services and infrastructure; insufficient information about markets, which is linked to low information and communication technology penetration; low levels of education and business skills; and poor access to nontraditional technologies. Although specific interventions to relieve these constraints are necessary, investments to support agglomeration of industrial and service sector activity in rural towns could be a step required to promote a productive nonfarm sector with large-scale employment opportunities. Studies have shown that enterprises in small towns tend to grow faster than those in outlying areas, owing to economies of agglomeration (see, e.g., Chatterjee et al. 2007).

Supporting the growth of small and medium-sized enterprises (SMEs) in manufacturing and services, which typically engage in labor-intensive activities, has great potential to expand high-value employment; however, many of their constraints to growth are similar to constraints in the rural sector: lack of infrastructure, finance, technology, and skills. Setting up industrial parks with adequate infrastructure facilities, encouraging more lending from financial institutions, and helping potential entrepreneurs develop their own skills and the skills of their employees are some measures needed. In some countries (such as India), policies to “reserve” some sectors for SMEs have perversely hindered their growth into larger enterprises because they would lose the offered incentives, and such policies may need review. The prevailing legal environment in many countries also is not conducive to the functioning of SMEs. For instance, the enforcement of contracts, including legitimate recoveries, often requires a long and painful legal process that is not worthwhile for SMEs to undertake.

The small services sector has high employment potential, but much of the employment it generates – transport and retail trade (such as small grocery shops), small eating establishments, and establishments catering to personal services – have low productivity. The development literature devotes little attention to
increasing the productivity of small service enterprises or their role in fostering inclusive growth. Reforms involving the services sector (such as computerization of banking or foreign direct investment in retail in India) often face severe resistance owing to fears about loss of employment. Nevertheless, better access to finance, technology (particularly information technology), and business skills will also serve as solutions in the case of the small services sector. A large number of small service establishments also represent informal employment, the issues of which are discussed further, later in this chapter.

Finally, attempts to strengthen the structural transformation process toward high-productive and labor-using sectors in manufacturing and services will help sustain the inclusive growth process. In the case of India, both industry and services have much higher productivity than agriculture, but employment elasticities have been low (Table 2.3). This will need to be changed by encouraging rapid expansion of high-employment industries and services, which has not happened so far.

**Encouraging productive employment growth in the informal sector**

In both manufacturing and services, informal enterprises dominate in terms of employment in Asian developing countries; however, productivities are very low. Efforts to improve inclusive growth, therefore, must tackle the problems confronting the informal sector.

Owing largely to rigidities in formal and organized industry and service establishments, informal sector employment has been growing. This constitutes a challenge for policies to strengthen inclusive growth through improvements in productivity and gainful informal employment. Although it is generally believed that the informal sector declines with growth in per capita income, and accordingly, that its importance will decline with development (Felipe and Hasan 2006), countries in Asia have shown a different picture. In fact, the informal sector in Asia is large and growing. In India, for instance, informal sector employment as a share of total non-agriculture employment increased from 80.5% in 1993–1994 to 83.2% in 1999–2000, whereas in Indonesia the share increased from 63% in 1997 to 71% in 2003. In the Philippines, the informal sector is smaller though still significant, and it also has been growing: the share of occasional workers to total workers in establishments with 10 or more workers has risen from a little over 20% at the beginning of the 1990s to almost 30% by the end of the 1990s. Although reliable estimates are not available, the informal sector in transition economies such as the PRC and Viet Nam are also likely to expand with large-scale retrenchments in state-owned enterprises and the easing of rural–urban migration restrictions.

The crucial role of the informal sector in employment generation is well recognized (Blunch, Canagaraja, and Raju 2001; Maloney 2004). The challenges the sector faces – particularly low productivity – can be solved by integrating it with the formal economy. The sector’s major disadvantages include a lack of access to finance, technology, and other productive assets, which keeps it in
a low-productivity trap. One of the celebrated proposals (de Soto 2000) is to improve the property rights system so that the informal sector can better tap formal sources of financing, the presumption being that those in the informal sector are in possession of assets that are not officially titled and thus are of little use for accessing the formal financial system, which requires collateral. Improved access to technology and training will also help improve the productivity of informal sector participants. Other measures include removing rigidities in the formal labor market that deny entry to the informal sector enterprises, and stronger linkages with the formal sector (such as through ancillaryization), which can enable the informal sector to benefit from growth in the formal sector and play a larger role in the economy. Freeman (2007), for example, discussed the formal sector outsourcing jobs to the informal sector.

Supporting productive, labor-intensive growth by removing labor market rigidities and distortions

Labor market segmentation is prevalent in most Asian countries. This includes market segmentation between urban and rural areas and between formal and informal sectors. Rigidities are also caused by social segmentation resulting from gender and other social discriminations that prevent large sections of society from freely participating in Asian labor markets. Such segmentation constrains growth, perpetuates inequality, and reduces the flexibility to take advantage of changes in domestic and global demand. Cuñat and Melitz (2007) demonstrated that countries with flexible labor markets are able to specialize in sectors with higher volatility, implying an enhanced capacity for diversification.

Several factors are responsible for the present segmentation. Vestiges of old institutions remain in some countries, such as the restrictions on migration under the PRC’s hukou system of permanent registration, which is a well-known factor contributing to worsening inequality in the country (Whalley and Zhang, 2007). The labor market in Viet Nam remains substantially unchanged from the pre-reform period, despite reforms, and retains signs of rigidities (Nguyen et al. 2005). In addition, and importantly, excessive labor market regulations (e.g., minimum wages set above the market clearing wage, restrictions on hiring and firing employees, and industrial policy regulations reserving certain sectors for small enterprises and traditional manufacturing processes), introduced in several countries as a social protection measure, often result in factor inflexibilities. Other factors affecting labor utilization include use of “inappropriate” capital-intensive techniques despite the ready availability of labor.

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4 Whalley and Zhang (2007) provided numerical simulation evidence showing that removal of migration barriers reduces inequality in the PRC.
5 ADB (2005) cites several causes. First, many production processes involve fixed techniques that are capital intensive because they are imported from developed countries and reflect those countries’ labor scarcities. Second, distortions in the capital markets of developing countries fail to reflect capital scarcity, due to subsidies encouraging use of capital-intensive techniques. Third, given the low...
Reform of labor markets is a major instrument of inclusive growth. This was recognized, for example, as an important plank in India’s Eleventh Five Year Plan focusing on inclusive growth. General macroeconomic policies will be needed, as will sector-specific interventions. Policies that penalize labor in favor of capital, such as artificially low interest rates and fiscal incentives, must be removed. Labor laws may be too rigid in the face of rapidly changing markets, leading entrepreneurs to prefer investment in machinery rather than committing themselves to a larger permanent workforce, thus contributing to low employment generation despite growth.

Specific actions must also be taken to remove labor market segmentations. Although the process of development involves structural change such as large-scale migration from rural to urban areas and from primary to secondary and tertiary occupations, few Asian countries have considered facilitating the process by equipping migrants with necessary skills, providing for their basic needs in urban areas, or smoothing their job placement process. For example, a study of migrants in Thailand found that increases in years of schooling added significantly to migrants’ ability to secure better jobs (ADB 2011). Rural–urban migration is dealt with more fully in Chapter 11.

**Expanding decent employment for socially discriminated and disadvantaged groups**

Social discrimination based on gender, caste, minority status, and other demographic characteristics prevent large segments of society from achieving adequate labor market participation, with heavy costs for labor productivity and growth. Inadequate participation by such groups renders the growth process noninclusive. Apart from legislative action, proactive implementation efforts must be undertaken with the help of civil society and media. The specific case of gender discrimination is discussed in Chapter 8.

Interventions would need to address the issue of social discrimination and provide better access to jobs and entrepreneurship. Affirmative action in employment is an important instrument that could be used. Restrictions on entry to entrepreneurship, better provision of access to credit and other inputs, security of tenure for farming households, and so forth are among other interventions that could be considered.

**Augmenting skills for productive employment growth**

Many measures for strengthening inclusive growth rely on skills development as a solution. Indeed, lack of adequate skills remains a major factor preventing inclusive growth in Asia. As growth expands, fueled partly by international demand, growth is often focused on high-skill sectors such as information
technology, organized manufacturing, and modern service industries that demand a variety of skills as diverse as computing and technical know-how, business and commercial proficiency, accounting and financial skills, nursing and other health services, and hospitality and the culinary arts. Lack of these skills has often led establishments in these sectors to undertake labor-saving measures, contributing to the phenomenon of jobless growth. Studies of globalization indicate that the demand for skilled workers has risen in developing countries, increasing their wage premium over unskilled workers. Trade openness seems thus to have widened inequalities in developing countries.

Technical and vocational skills are especially needed to raise productivity in the informal sector, as we have discussed. This highlights the need for policies focusing on skills development in Asia. Although the region is close to achieving universal basic education, this alone will not suffice to build needed skills at the rate demanded by the growing countries of Asia, and education policies must increasingly focus on technical and vocational skills development and training.

Recent experiences of the PRC, India, and Southeast Asia, for example, have highlighted this problem. With their economies growing rapidly, demand for skilled workers grew faster than the capacity of their education systems. Investing in trainability (the capacity to understand how to use and assimilate new technologies effectively) is key, requiring a good basic education foundation upon which technical and vocational skills and secondary and tertiary education can be built. Some East Asian and Southeast Asian economies, such as Republic of Korea and Taipei, China, invested in skills development ahead of demand, enabling a rapid increase in productive employment and growth. Others, such as Thailand, were forced to review their human resources policies only after severe skills shortages began hampering their growth. The actual approach adopted, however, has to be closely tailored to specific country needs. Skills development unmatched to needs can cause severe problems, as in the Philippines where high unemployment has occurred among secondary and tertiary education graduates, who were not in demand. The actual mix of skills, general secondary and tertiary education, or technical and vocational skills development and training has to be determined on a country-specific basis.

**Focusing growth on poorer regions**

Most countries in Asia face uneven development, with lagging regions often including large populations that have fallen behind. One important measure for strengthening inclusive growth, therefore, is to try to focus growth in economically underdeveloped areas so that all may participate in growth.

There is considerable analytical and empirical support for geographic targeting. Among targeting methods, it is the most commonly used, particularly in Latin America, South Asia, and East Asia. It has a number of advantages: it provides clear criteria for identifying the target population, it is easy to monitor and administer, and it easily excludes populations not intended to receive
targeted benefits (Bigman and Fofak 2000). Studies have also indicated that use of geographic targeting, compared to an equally expensive universal distribution program to provide transfers to the poor, can more effectively lead to a larger reduction in poverty (Baker and Grosh 1994).

However, defining underdevelopment is often a tricky problem. Usual measures involve income-related indicators, such as average incomes and income poverty levels. Recognizing the multidimensionality of poverty and constructing indexes based on that must be pursued because simple indicators may lead to wrong development interventions. Box 2.2 presents an example of a geographic targeting approach used in Indonesia, which employs three main sets of indicators – income poverty, access to financial resources, and human development – and addresses such constraints with appropriate targeted support.

**Box 2.2 A geographic focus for Indonesia**

The ADB developed a geographic focus for providing support to Indonesia in early 2000, in order to more efficiently channel its support to its largest client at that time. The basic procedure used to select provinces for the focus consisted of classifying them on the basis of three main criteria: poverty, resource availability, and human capital base.

For the poverty criterion, a poverty allocation index (PAI) was constructed that considered two main factors: the proportion of poor residing in the province to the total number of poor in the country, and the severity of poverty of the poor in the province. The index used was $\text{PAI}_i = (w_1)(M_i/M) + (w_2)P_{2,i}$, where $\text{PAI}_i$ is a poverty allocation index, with the weight $w_1$ and $w_2$ summing to 1; $M_i$ is the number of the poor in province $i$; $M$ is the total number of poor in the country; and $P_{2,i}$ is the poverty severity index in province $i$.

The human capital criterion used human development indicators such as secondary education attainment (primary school attainment was not used owing to quality issues, which are hard to measure), education index, and life expectancy. Under Law 22 (1999) and Law 25 (1999), the total resources transferred from the central government to the regional government consisted of a general allocation fund, a special allocation fund, natural resource revenue sharing, and tax sharing. The resources available to provinces were used to rank them on this criterion. Combining the information on the poverty allocation index, human capital, and financial resources yielded the geographic focus classification as set out in the table below. For the poverty and human capital index, provinces were classified as high, medium, or low. For financial resources, they were classified into only two categories: high and low.

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6 The poverty severity index provides a measure of the extent to which the income of the poor falls below the poverty line. The index gives greater weight to households whose income falls substantially below the poverty line. This index is the Foster, Greer, and Thorbecke (1984) Poverty Measure, with the parameter of inequality aversion $= 2$. 
The interventions based on this identification of binding constraints to growth were therefore different for different provinces in the focus. Major support requiring all-around multisector intervention was directed to provinces with high to medium poverty and with both low human development and low access to resources (dark grey). Those provinces with high to medium poverty but having a combination of a high resource base with medium to low human development needed only support to remove their human development weaknesses (light grey). The remaining provinces, with high to medium poverty but having both good access to resources and high human development, really had no reason to be supported (grey). Support to these provinces was limited to advice on how to best utilize their strengths to alleviate poverty.

Sources: Chatterjee, Asra, and Estrada (2005); Stern (2001).

**Prioritizing inclusive basic infrastructure investments**

Some investments can generate more inclusive growth than others. For example, investments in basic infrastructure can be more inclusive than investments in infrastructure in general. Basic infrastructure has both intrinsic and instrumental value. Access to roads and electricity has intrinsic value simply because these enable individuals to enjoy a fuller life. They are also important instruments to help individuals attain other social outcomes. Roads enable children to go to school and to more easily reach health centers. Electricity also helps improve education and health services. Basic infrastructure can be defined as infrastructure that households rely on daily to function fully, live decently, and expand their capabilities. Achieving the MDGs will require substantial improvements in basic infrastructure in the medium term.

Several previous studies have shown a strong association between provision of basic infrastructure and improvements in basic social outcomes, such as the MDGs. A cross-country study conducted by Chatterjee, Moinuddin, and Francisco, (2011) further established this relationship. The study reveals, for
example, that attendance of skilled health personnel at birth – a factor that is critical for reducing maternal mortality – is significantly influenced by access to paved roads and electricity (Figure 2.4). Similarly, child immunization efforts are influenced by access to paved roads. Antenatal care is significantly influenced by access to electricity. Control of tuberculosis is significantly affected by the existence of paved roads. Not unexpectedly, access to safe drinking water is seen to affect tuberculosis control by preventing other diseases and secondary infections that may make recovery from tuberculosis more difficult. Access to improved sanitation appears to be playing a significant role in controlling the spread of HIV. Improved sanitation is also critical for reducing the incidence of underweight children through prevention of infections.

Despite the clear major benefits, however, Asia lags well behind the developed world in the provision of basic infrastructure. Access to roads and electricity, provision of safe water and sanitation, and saturation levels of information technology and telecommunications must be vastly improved. Table 2.4 shows the gaps between Asia, including its various subregions, and Organisation for Economic Co-operation and Development countries and other developing regions of the world.

Strengthening inclusive growth will require a radical scaling up of investments in basic infrastructure. An ADB estimate (Chatterjee, Moinuddin, and Francisco 2011) assesses the requirement of basic infrastructure at $2.2 trillion until 2020, or about $200 billion per annum (Table 2.5). Finding this level of resources will mean sharply prioritizing government infrastructure spending toward basic

Figure 2.4 Births attended by skilled health personnel explained by the availability of paved roads.

Source: Chatterjee, Moinuddin, and Francisco (2011).
Table 2.4 Infrastructure comparators for Asia and the rest of the world

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia and the Pacific</td>
<td>14.78</td>
<td>80.95</td>
<td>87.55</td>
<td>50.60</td>
<td>81.47</td>
<td>34.49</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>15.10</td>
<td>99.33</td>
<td>89.29</td>
<td>56.55</td>
<td>88.73</td>
<td>31.05</td>
</tr>
<tr>
<td>Central Asia</td>
<td>45.07</td>
<td>...</td>
<td>87.34</td>
<td>91.04</td>
<td>106.28</td>
<td>...</td>
</tr>
<tr>
<td>South Asia</td>
<td>15.20</td>
<td>68.47</td>
<td>87.02</td>
<td>37.49</td>
<td>64.48</td>
<td>37.65</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>10.88</td>
<td>74.18</td>
<td>85.52</td>
<td>68.63</td>
<td>110.61</td>
<td>33.64</td>
</tr>
<tr>
<td>Pacific Islands</td>
<td>...</td>
<td>...</td>
<td>50.08</td>
<td>49.55</td>
<td>42.69</td>
<td>...</td>
</tr>
<tr>
<td>Organisation for</td>
<td>108.59</td>
<td>...</td>
<td>99.59</td>
<td>99.55</td>
<td>152.24</td>
<td>...</td>
</tr>
<tr>
<td>Economic Co-operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>8.29</td>
<td>93.20</td>
<td>94.03</td>
<td>80.80</td>
<td>120.05</td>
<td>24.39</td>
</tr>
<tr>
<td>Africa</td>
<td>4.88</td>
<td>41.85</td>
<td>64.81</td>
<td>40.89</td>
<td>56.07</td>
<td>59.14</td>
</tr>
</tbody>
</table>

Source: Chatterjee, Moinuddin, and Francisco (2011).
Table 2.5 Estimates of basic infrastructure investments, 2009/2010–2020 (2010 $ million)

<table>
<thead>
<tr>
<th>Sector</th>
<th>New capacity</th>
<th>Replacement</th>
<th>Total</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paved rural roads</td>
<td>336,574</td>
<td>124,486</td>
<td>461,060</td>
<td>38,422</td>
</tr>
<tr>
<td>Energy (electricity)</td>
<td>542,571</td>
<td>153,033</td>
<td>695,604</td>
<td>63,237</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>155,493</td>
<td>225,797</td>
<td>381,290</td>
<td>34,663</td>
</tr>
<tr>
<td>Sanitation</td>
<td>107,925</td>
<td>119,573</td>
<td>227,498</td>
<td>20,682</td>
</tr>
<tr>
<td>Water</td>
<td>47,568</td>
<td>106,224</td>
<td>153,792</td>
<td>13,981</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>181,763</td>
<td>509,151</td>
<td>690,914</td>
<td>62,810</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,216,401</strong></td>
<td><strong>1,012,467</strong></td>
<td><strong>2,228,868</strong></td>
<td><strong>199,131</strong></td>
</tr>
</tbody>
</table>

Source: Chatterjee, Moinuddin, and Francisco (2011).

infrastructure. Because not all the resources may be available in the public sector, more effort will be needed to secure private sector participation through measures such as public–private partnerships.

Mobilizing funds to meet this huge financing gap is not the only challenge. Many of the region’s countries do not have a strong record of performance in governance or public sector management. Success in implementing a stepped-up program for providing basic infrastructure to achieve the MDGs will call for control of corruption in public works, improvement of implementing agencies’ capacity particularly locally, stronger beneficiary participation, and more attention to quality and maintenance issues.

**Encouraging inclusive private investments through “bottom-of-the-pyramid” approaches**

Inclusive growth will be easy to achieve if private entrepreneurs can be motivated by profit incentives to cater to the market at the “bottom of the pyramid” (BOP) (Prahlad 2004). Owing to high inequality, a small number of rich people in the region earn a disproportionately large portion of its total income. Those with annual incomes above $3,000 (purchasing power parity, in 2002 international dollars) comprise only 16% of the region’s population but account for 58% of its total income (Figure 2.5). Because this upper crust has high buying power, private entrepreneurs generally cater to this segment of the population; however, the BOP market is also large and potentially viable. The BOP segment (those earning less than $3,000 purchasing power parity per year, or less than current US $2.11 in the PRC and $1.56 in India) is estimated to be 2.8 billion people, and they have combined earnings of $3.87 trillion (Hammond et al. 2007). Any inclusive growth strategy must include bringing this vast market into its fold.

Many factors are responsible for lack of integration of the BOP market into the rest of the economy. These include the predominantly rural character of the BOP segment in Asia, which is largely underserved due to lack of infrastructure (preventing produce from reaching markets), financial services, communications, electricity, clean water, and basic health services; its informal nature, which prevents proper access to resources; and the capture by many layers of middlemen of the
value of the segment’s production. The segment also pays a “poverty penalty” in the form of higher prices or lower-quality goods and services. Entrepreneurs do not see much viability in the BOP economy.

Considerable market potential does, however, exist in the economy of the poorer income groups. This remains untapped owing to insufficient information and the BOP-specific constraints mentioned, but these barriers could be removed. Indeed, some large business groups have already started tapping the BOP sector in marketing their products. This includes, for example, the Hindustan Lever group in India, which brought a whole range of consumer products to villages through packaging innovations, making their products accessible to low-income groups. More meaningful and beneficial interaction would involve developing businesses that tap BOP entrepreneurship and generate employment among low-income groups. Some modest successes have already been achieved by using this approach in areas such as financial services, where commercial banks and commercial microfinance institutions have begun to tap the BOP market; health insurance for the poor, through commercial micro health insurance schemes such as the Yeshavani scheme in Karnataka, India; and mobile telephony. In major sectors such as private water distribution or off-grid electric supply, however, there has been little headway (Hammond et al. 2007).

The possibilities in the BOP sector are huge. For example, mini hydropower plants with less than 1 megawatt of capacity, using run-of-the-river technology, have great potential – given the abundance of small streams in the Himalayas – to provide remote villages in the Himalayan regions of Bhutan, India, Nepal, and Pakistan with much-needed access to electricity. Some projects have already been piloted in the Indian hills. To succeed, however, they will need to cross many policy, institutional, and financial hurdles. Another example is the cultivation of jatropha, a plant that bears a nut rich in nonedible oil. Such cultivation makes use of arid land not suitable for cultivation of food crops and can provide biofuels and livelihoods for poor farmers. Developing organic and environment-friendly agriculture in order to bring greater value to poor farmers represents another large untapped area.

It may not be possible to start viable enterprises at the very bottom of the BOP segment, because both the incomes and the human capacity of the extremely
poor are limited. But energizing the economy of the nearly poor and people in the low-income segment would also help the poor because the economies of the poor and the nearly poor are closely linked. A start can be made by attempting to improve the policy environment for large, small, and medium-sized enterprises that are likely to operate in the BOP sector. The critical support will be needed by SMEs that lack skills and finance, unlike large enterprises, which have both and can innovate through research and development. Large enterprises have already entered the BOP segment in many cases, as discussed.

Micro-enterprises will not have the requisite scale to withstand the risks associated with the sector, hence, demonstration of the viability of such operations for SME operations, particularly, will be needed. This can be achieved by actively supporting new BOP ventures and publicizing their cases, and by arranging for much-needed finance and skills. Of these, finance is a major bottleneck, due to the perception of high risk. Although private investors, as well as financial institutions interested in investing in SMEs, exist in middle-income or nearly middle-income Asian developing countries, they lack adequate information about the potential viability of BOP enterprises. Therefore, there is a need to set up demonstration enterprises and risk-reduction mechanisms, such as guarantees or dedicated investment funds, to expand financing to the BOP sector.

Studies have also shown that successful BOP approaches focus on meeting the BOP segment’s specific needs through new approaches; localize value creation through measures such as franchising, building local systems of vendors or suppliers, or treating the community as a customer; involve substantial capacity building efforts; enable the BOP segment to access goods and services through financing approaches that reduce costs, or physically, through new distribution strategies; and involve unconventional partnering with governments, nongovernment organizations, and other stakeholders (Hammond et al. 2007).

**Limitations of these actions in the medium term**

In this chapter we have discussed the merits of inclusive growth and its effect on poverty, particularly income poverty; however, as will have become quite apparent from the measures we have cited to promote inclusive growth, the development efforts needed are likely to be slow acting and to yield results in the medium to long term. If Asia’s large-scale deprivations are to be reduced significantly it will require more than just attempting to make growth more inclusive. A strong, proactive effort led by public action will be needed, as we discuss in the succeeding chapters.

**References**


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7 ADB recognizes China by the name People’s Republic of China.


Asia and the Pacific has made impressive progress toward achieving the Millennium Development Goals (MDGs). Substantial progress has been made in reducing poverty, achieving gender parity in primary and secondary education, and expanding access to safe drinking water. This progress, however, has been uneven across and, in many cases, within countries. At the same time, the region is lagging on some important targets, particularly those related to health, such as eradicating hunger, reducing child and maternal mortality, and improving access to sanitation. Furthermore, Asia and the Pacific still has a large number of people living in deprivation – in many cases more than any other developing region in the world, and even in areas where progress has been considerable.

The first part of this chapter reviews the Asia and the Pacific countries’ progress toward achieving the MDGs, using the classification method applied in Economic and Social Commission for Asia and the Pacific (ESCAP), Asian Development Bank (ADB), United Nations Development Programme (UNDP) (2012) Asia–Pacific Regional MDG Report, data from the global MDG database maintained by the United Nations Statistics Division, and the United Nations Population Division’s World Population Prospects 2010.¹ The chapter then highlights the extent of disparities in health-related outcomes within selected countries, as well as drivers of such disparities, using household surveys.

Regional perspective

Asia and the Pacific has advanced remarkably over the past decades, emerging as the most economically dynamic region in the world, mainly because of robust growth in the People’s Republic of China (PRC) and India.² Poverty in the region

¹ Please see Technical Note 1 in the Asia–Pacific Regional MDG Report 2011/12 (ESCAP, ADB, and UNDP 2012).
² The analysis presented in this chapter excludes the developed countries of Asia and the Pacific – Australia, Japan, and New Zealand. Please refer to the definitions of the region and subregions in Table A3.1. Due to the use of different country groups, the results of this chapter are not exactly the same as those presented in the Asia–Pacific Regional MDG Report 2011/12 (ESCAP, ADB, and UNDP 2012).
declined steadily, from 52.9% in 1990 to 22.8% in 2009, and the proportion of people with access to improved drinking water sources increased from 71.6% in 1990 to 87.9% in 2008. The region is therefore an early achiever for the targets of halving the proportion of people living in extreme poverty and halving the proportion of people without access to safe drinking water. The region’s progress on the MDGs along with progress of subregional groupings is summarized in Figure 3.1.

In general, the region has done well in reaching the target of universal primary education. Between 1991 and 2009, net primary school enrollment rose from 66.5% to 93.4%, and if current trends continue, the region will be able to achieve the target by 2015. Similar progress has been achieved in equal access to education for girls and boys: the region is classified as an early achiever in ensuring gender

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Figure 3.1 Progress toward the Millennium Development Goals in the region and subregions.

Sources: Authors’ calculations based on United Nations (n.d., 2010) and World Population Prospects (United Nations 2010), and UNESCO Institute of Statistics for the education-related indicators under goals 2 and 3, except “Reaching last grade.”

Note: Early achiever – already achieved the 2015 target; on track – expected to meet the target by 2015; slow – expected to meet the target after 2015; and regressing/no progress – slipping backwards or stagnating.

3 Poverty estimates mentioned in this chapter are based on past trends and differ from estimates made in Chapter 4 which adopts a different methodology.
parity in enrollment at primary and secondary levels, and at the pace set thus far will be able to reach the target for the tertiary level by 2015.

The region has also made considerable progress in reversing the spread of HIV and tuberculosis. After an increase in HIV prevalence in the region from 1990 to 2004, the number of new HIV infections has declined and the number of AIDS-related deaths is stabilizing; however, prevention among at-risk populations remains insufficient. Judging by two indicators related to tuberculosis – incidence and prevalence – the region is an early achiever for the target of reversing the spread of this disease. Tuberculosis incidence in Asia and the Pacific has declined in most countries and in the region as a whole, although tuberculosis still constitutes a substantial part of the burden of disease of several countries. The region has also made progress in ensuring environmental sustainability, with a slight increase since 1990 in the proportion of land area covered by forest and areas protected and a decrease in the consumption of ozone-depleting substances.

Despite these accomplishments, Asia and the Pacific as a whole needs to continue its efforts to achieve all the MDG targets. For example, in spite of the progress in achieving universal primary education, the region has not been successful in keeping children in primary school and ensuring the completion of the full cycle of primary schooling.

Particular efforts are needed to reach the health-related MDG targets. There has been little reduction in child malnutrition in Asia and the Pacific since 1990 – as many as 24.1% of children under 5 years of age were underweight in 2009. The under-5 mortality rate declined from 86.8 to 47.4 per 1,000 live births from 1990 to 2010, and the infant mortality rate declined from 63.1 to 37 per 1,000 live births during the same period. Despite such achievements, the region is likely to miss the target of reducing the under-5 mortality rate by two-thirds from 1990 to 2015, unless progress is accelerated.

Similar challenges exist in reaching the goal of improving maternal health. The maternal mortality rate dropped from 386.9 to 190.8 per 100,000 live births from 1990 to 2008. Thus, the region is still far from reaching the target of reducing the ratio by three-quarters from 1990 to 2015. Two critical interventions to help reduce maternal mortality and early childhood mortality are the provision of antenatal care to pregnant women and the attendance of deliveries by skilled health personnel. The region has moved slowly on both these indicators. From 1991 to 2010, antenatal care coverage increased from 60.3% to 80.9%, and the proportion of births attended by skilled health personnel increased from 54.7% in 1990 to 68.2% in 2010.

One of the biggest challenges in achieving the MDGs in the region is the expansion of access to basic sanitation. Although the situation has improved since 1990, only one out of two people had access to improved sanitation in 2008.

Asia and the Pacific compared to other regions, and the scale of deprivation

Asia and the Pacific has generally been making better progress toward the MDG targets than sub-Saharan Africa, but it is lagging behind Latin America and the Caribbean (Figure 3.2).
Figure 3.2 Asia and the Pacific compared with other developing regions.

Sources: Authors’ calculations based on United Nations (n.d., 2010) and World Population Prospects (United Nations 2010).

Note: The size of the bubbles is proportional to the number of people currently affected. The sloping line divides each chart into two parts; if the bubble is below the line, the level of the indicator has decreased. The black and grey correspond to on- or off-track progress.
Because of its larger population, Asia and the Pacific is home to the greatest number of people deprived on most of the indicators. In spite of the impressive achievements in poverty reduction and expanding access to safe drinking water, there are still 872 million people living on less than $1.25 per day and 460 million people in the region with no access to improved water. Those numbers represent more than 50% of the developing world’s deprived people (Figure 3.3). Ensuring that 1.8 billion people in Asia and the Pacific have access to basic sanitation remains a special concern.

**Subregional progress**

While examining regional progress, it is also important to examine subregional, country, and rural–urban variations. The first point to consider is that the regional picture is swayed by the PRC and India, the world’s two most-populous countries, and that it would therefore be useful to reevaluate the progress of the region after excluding these population behemoths. For most indicators, the exclusion of the PRC and India does not change the regional picture. Their presence is negative for only one indicator: although the region (excluding these two giants) is on track in reducing the proportion of children under age 5 who are underweight, the region as a whole is lagging as a result of the insufficient progress accomplished by India (Figure 3.1). In some cases, on the other hand, the presence of these two countries adds a more positive color to the regional picture. For example, excluding the PRC and India gives a picture of slow progress in achieving universal primary

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**Figure 3.3** Asia and the Pacific’s share of the developing world’s deprived people.

Sources: Authors’ calculations based on United Nations (n.d., 2010) and World Population Prospects (United Nations 2010).
education, but including them puts it on track. Other examples are forest cover and safe drinking water. For forest cover, excluding the two countries results in a region that is regressing, highlighting large declines in forested area in Southeast Asia and some Pacific countries and leaving out the progress in the PRC.

A mixed story emerges subregionally. Central Asia is the subregion making the greatest progress. Countries in this subregion have achieved the targets on 13 indicators, but they are progressing slowly on another six and are making no progress on reducing the consumption of ozone-depleting substances and ensuring that all children go to primary school.

Southeast Asia is showing great progress as well. It is an early achiever on 10 of a total of 21 indicators and is on track for an additional four. In contrast, the Pacific Islands are an early achiever or on track on only five out of the 16 indicators for which sufficient data is available: gender parity in tertiary education, HIV prevalence, tuberculosis incidence, protected areas, and the consumption of ozone-depleting substances. The subregion has been progressing slowly on another five of the 16 indicators and has been regressing or making no progress on the remaining six. Papua New Guinea is home to almost 70% of the Pacific Island countries’ population, so its performance inevitably influences the achievement of this subregion. The Pacific Islands without Papua New Guinea has made better progress on gender equality in education, tuberculosis prevalence, and forest cover but is advancing slowly on sanitation and safe drinking water.

Although South Asia has made good progress on nine of the indicators, the subregion is progressing slowly on many others. When India is excluded, the subregion is on track for poverty and is an early achiever for tuberculosis incidence but is progressing slowly on the provision of clean water and is regressing on forest cover.

The progress of the region’s 13 least-developed countries on 14 indicators has been slow or nonexistent. This group of countries has performed well only on gender parity in primary and secondary education, stopping the spread of HIV and tuberculosis, increasing the proportion of protected land areas, and reducing the consumption of ozone-depleting substances.

The differences between Asia and the Pacific subregions are also mirrored within subregions. For example, whereas Southeast Asia as a whole is on track or is an early achiever for 14 of the 21 indicators, the Lao People’s Democratic Republic (Lao PDR) manages this for only eight, whereas Malaysia is achieving 16 of the 19 indicators for which sufficient data is available. Overall, higher-income countries show better progress than those with lower income.

The scale of opportunity
Many of the targets that the region as a whole is likely to miss, based on current trends, are health related (in a broad sense). Still, the acceleration in progress needed for many currently off-track countries to hit the targets appears feasible, given the impressive progress since the early 1990s in countries that already have achieved the targets or are on track to do so. This is particularly the case for
halving the prevalence of underweight children; all 14 of the off-track countries (out of the 27 for which data is available) are required to accelerate progress by less than 2 percentage points per year to reach the target by 2015. Similar accelerations in progress would also put on track most countries currently off track for the child mortality, maternal mortality, and safe drinking water targets. The challenge in accelerating progress for the majority of the countries currently off track for skilled birth attendance, antenatal care coverage, and basic sanitation, on the other hand, is much more daunting but has huge potential payoffs. The number of people deprived of basic sanitation in off-track countries would, for example, be lower by a whopping 510 million – from a projected 1.7 billion based on current trends – if they are able to hit the target by 2015. The following sections discuss in more detail the scale of opportunity for selected indicators, mainly related to health.

**Goal 1: Eradicate extreme poverty and hunger**

**Halving the proportion of people living on less than $1.25 per day.** The region is an early achiever in halving the proportion of people living below $1.25 per day, which is largely attributable to achievements in the PRC, Indonesia, and Pakistan, countries with population sizes that figure among the top five in the region. For example, in 1990 two out of every three people in Pakistan lived below the international poverty line, whereas according to the latest figure only around two out of 10 are poor; however, the achievements of countries starting at similar poverty levels have been very different. Although Bangladesh and Pakistan had comparable levels of poverty in the 1990s, progress has been very slow in Bangladesh, which has achieved less than half of the progress made by Pakistan. Out of the 26 countries with sufficient data for assessment, 15 are classified as early achievers, three are on track, five are slow, and only three are regressing or making no progress.

Although the progress of countries in halving the proportion of people living with less than $1.25 per day has been very impressive, the scale of opportunity to reduce human deprivation remains considerable if currently off-track countries manage to reach the target. Off-track countries would be home to approximately 565 million poor people by 2015, based on current trends. But this figure would be reduced to approximately 413 million if off-track countries manage to accelerate progress or reverse negative trends and reach the targets. The required acceleration of progress in most of the eight off-track countries, except for Uzbekistan, is less than 2 percentage points per year to reach the target by 2015, from the latest year for which data is available.

**Reducing hunger by half.** The slow progress in achieving the target for the prevalence of underweight children under 5 years of age represents one of the most noticeable failures of the region. Out of the 27 countries with sufficient data for assessment, only six are early achievers and another seven are on track, leaving 14 countries unable to reach the target, given current trends. India is one of the countries where progress has been very slow. In 1992, five out of 10 children
under the age of 5 were underweight, and the most recent figures show that four out of 10 still are.

In all of the off-track countries, an acceleration of progress by 2 percentage points per annum from the latest year for which data is available would enable reaching the target by 2015 and would reduce by almost 18 million the number of underweight children under the age of 5.

**Goal 2: Universal primary education**

The region has made very good progress in ensuring that children are enrolled in primary education, and it will reach the target by 2015; however, the region has been slow in ensuring that all children who start Grade 1 reach the last grade and complete primary education. To reach the target, Bangladesh, Cambodia, Nepal, and Pakistan must annually increase by more than 4 percentage points the number of pupils starting Grade 1 who reach the last grade of primary school, and Bangladesh and Pakistan must increase their primary school completion rates by almost 6 percentage points.

**Goal 3: Gender parity**

The region is classified as an early achiever in ensuring gender parity at the primary and secondary levels of education, but it is only on track for the tertiary level.

Only three countries are off track for parity in primary school enrollment: Afghanistan is slow; Niue and Papua New Guinea are classified as regressing. Only three countries are off track for parity in secondary school enrollment: Afghanistan is regressing; the Lao PDR and Tajikistan are classified as slow. In all these cases, if countries increase the parity indexes by 0.1 units annually from the latest year for which data is available, they will reach the target.

For gender parity at the tertiary level, all off-track countries except Afghanistan need an annual increase in the parity index of 0.1 units from the latest year for which data is available in order to reach the target.

**Goal 4: Reduce child mortality**

Some countries have reduced child mortality significantly. For example, Bangladesh, Bhutan, the Lao PDR, Nepal, and Timor-Leste had very high mortality rates in 1990 but will be able to reach the target by 2015 if they continue at the pace since then; in fact, Timor-Leste has already achieved the target. However, progress in the majority of the Asia and the Pacific countries has not been enough to reach the target of reducing the rate by two-thirds. For example, in Cambodia in 1990, 121 children out of 1,000 live births died before the age of 5, whereas in 2010 only 51 children out of 1,000 live births died before the age of 5. Although the rate has been halved, progress in Cambodia is slow and, given current trends, will not be sufficient to reach the target by 2015. Out of the 47 countries with sufficient data for assessment, 29 are slow and two are regressing or making no
progress. If countries manage to reduce their rates by three deaths per 1,000 live births each year from the latest year for which data is available, about half of the off-track countries could still meet the target. If all off-track countries managed to reach the target, an additional 2.4 million children under the age of 5 would be saved over the period 2011–2015.

The picture for infant mortality is even less optimistic. Although the progress on this indicator has been as impressive as the progress made by countries on under-5 mortality, it is not sufficient to reach the target by 2015; out of the 47 countries with sufficient data for assessment, 36 are slow and two are regressing or making no progress. If countries manage to reduce their rates by three deaths per 1,000 per year from the latest year for which data is available, more than half of the off-track countries will be able to reach the target.

**Goal 5: Improve maternal health**

Few countries are making sufficient progress when it comes to reducing maternal mortality. What can be achieved is illustrated by Bhutan, where the maternal mortality ratio declined from 940 per 100,000 live births in 1990 to 200 in 2008; however, out of the 36 countries with data, only three are early achievers, three are on track, and the rest are either slow, regressing, or making no progress. Some countries would be able to reach the target if they managed to reduce their maternal mortality ratios by two to three deaths per 100,000 live births per year from the latest year for which data is available. The largest effort is needed in Afghanistan, which must reduce the maternal mortality ratio by almost 140 deaths per 100,000 live births per year. If all off-track countries managed to reach the target, almost an additional 148,000 mothers would be saved over the period 2009–2015.

Receiving antenatal care and the attendance of deliveries by skilled health personnel are important contributors to the prevention of maternal and neonatal deaths; however, many countries and the region as a whole are off track on these indicators. In the case of the proportion of births attended by skilled health personnel, 26 of the 45 countries with data are off track. Once again, countries that had very similar levels in the 1990s have progressed very differently. Take Bhutan and Pakistan, for example. Whereas Bhutan managed to raise coverage from 14.9% to 71.4%, Pakistan only managed to improve from 18.8% to 38.8%. Around half of the off-track countries could reach the target by increasing the rate of attendance by 3 percentage points per year, and an additional 11.39 million mothers/births would benefit if all off-track countries managed to reach the target.

In the case of antenatal care, 12 countries have already achieved the target and seven more are on track. Some of those countries, such as Bhutan and Turkey, made impressive progress. On the other hand, countries such as Afghanistan and the Lao PDR will need to improve their antenatal care coverage by more than 6.5 percentage points per year to reach the target. If all off-track countries reached the target by 2015, an additional 7.59 million pregnant mothers would receive antenatal care.
The Democratic People’s Republic of Korea presents an interesting case. Although both antenatal care coverage and the proportion of births attended by skilled health personnel are 100%, the maternal mortality ratio is as high as 250 per 100,000 live births, which is comparable to the ratio of Indonesia, Myanmar, or Pakistan, raising questions about the quality of the reproductive health services in some countries in the region.

**Goal 6: Combat HIV/AIDS, malaria, and other diseases**

The region as a whole has been making very good progress in the three indicators assessed under this goal and is classified as an early achiever in all of them, although the progress has been uneven within the region. In terms of HIV prevalence, only 12 of the 29 countries with sufficient data for this analysis are classified as regressing or making no progress, especially in Central Asia. Only seven of 54 countries are regressing or making no progress in tuberculosis incidence, and 10 of 54 countries are making progress in reducing tuberculosis prevalence. Although most countries have managed to reverse the trends, some countries still have very high tuberculosis prevalence rates, higher than 400 per 100,000. These include Bangladesh, Cambodia, the Republic of Korea, Myanmar, the Philippines, and Timor-Leste. Cambodia, Myanmar, and Timor-Leste also have very high incidence rates, higher than 400 per 100,000.

**Goal 7: Ensure environmental sustainability**

Access to improved water resources and sanitation is essential for the health of the population. Halving the proportion of people without access to safe drinking water has been one of the successes of the region; however, there were still 460 million people without access to improved water resources in 2008. The proportion of people with access to improved water has increased from 71.6% to 87.9%, most probably due to the great improvements achieved in rural areas, where the level of access increased from 62.6% to 82.3%. If off-track countries catch up, an additional 29 million people will benefit and will have access to improved drinking water.

The proportion of people with access to improved sanitation has increased from 37.6% to only 51.4% (from 59.7% to 65.2% in urban area and from 28.2% to 41.8% in rural areas), and the number of people without improved sanitation facilities in 2008 was 1.8 billion. Progress has been slow in 18 countries, and 11 countries have been regressing or making no progress. But if these off-track countries are able to reach the target by 2015, the number of people deprived of basic sanitation would be lowered by around 510 million. Table 3.1 summarizes the human savings if off-track countries accelerate their progress and reach the target by 2015.

As observed in previous sections, many lagging countries will be within striking distance of their targets by 2015. In addition to the classification markers of off-track countries for indicators with computable numeric targets, Figure 3.4 presents
numbers that indicate whether countries will be (1) over 20%, (2) within 20%, or (3) within 10% of the target in 2015, based on current trends. For example, the $1.25 per day poverty rate in the Philippines was 30.7% in 1991, declining to 22.6% in 2006. At this pace, the rate is likely to be below 17% in 2015, but not at or below the target of 15.4%. Therefore, it is assigned the number 3. Similarly, for antenatal care in India, for example, the number 2 indicates that it will be within 20% of the target in 2015, and the number 1 for maternal mortality for Philippines indicates that the country will not even be within 20% of the target in 2015. Most of the off-track countries will not be within 20% of the target in 2015 for indicators such as under-5 and infant mortality and maternal mortality, but in the case of access to water, most of the off-track countries will be within 10%.

**Achieving the Millennium Development Goals by reducing inequities within countries**

There are wide disparities in MDG achievement within many of the countries of the region; overall, and not surprisingly, these disparities tend to be larger in countries with relatively low levels of achievement. Targeting the administrative regions and subpopulations within countries that are left most behind is therefore an important means of accelerating MDG progress in off-track countries.

The differences between those with higher and lower levels of household economic status – measured as ownership of such assets as televisions and bicycles, the type of materials used for housing, and access to basic services – are considerable, even after factoring in other household and individual characteristics.
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*Figure 3.4* Countries on track and off track for the Millennium Development Goals. Source: Authors’ calculations based on United Nations (n.d.).
In many countries, disparities between states, provinces, and districts are also often dramatic, reflecting the need of central governments to reexamine resource allocations and/or the need of local administrations of regions left behind to improve the effectiveness of their policies and programs.

There are also significant disparities between various castes and ethnic and language groups in countries that have relevant data, suggesting the need to address cultural and institutional discrimination. A final important area of disparities is in education, especially the education of women and girls. The prevalence of underweight and stunting, for example, is much higher among children born to mothers with no or little schooling than among their counterparts born to mothers with secondary or higher levels of schooling, and a mother’s level of education also has a strong bearing on the likelihood of her receiving antenatal care. Furthermore, more-educated households are much more likely to have access to improved sanitation than those with little or no schooling.

This second part of this chapter will discuss the disparities within countries, using results from the analysis of household surveys in the Asia and the Pacific region, namely Multiple Indicator Cluster Surveys (UNICEF n.d.) and Demographic and Health Surveys (Measure DHS n.d.). The limitation of this analysis is the availability of recent surveys. Only 22 countries in the region have collected any of these surveys, and in some cases, they might not be very recent.

**Disparities within countries**

Figure 3.5 presents the contrast among different countries in skilled birth attendance. These differences are in some cases deeper among different regions within a country. This is illustrated in the Philippines, where national coverage is around 62% but the proportion of births attended by skilled health personnel ranges
from 87% in the National Capital Region to 19% in Autonomous Region of Muslim Mindanao – a level very similar to that of Bangladesh or Nepal, which are among the countries with the lowest attainment in the region for this indicator (Figure 3.6).

Disparities are not only visible among administrative regions. There are disparities among various subpopulation groups – for example, between rural and urban areas, between girls and boys, or between less-educated and more-educated fractions of the population. To account for many of these socioeconomic factors and estimate the overall extent of intracountry disparities, this section uses a composite measure of inequality that compares the attainment levels of the least-advantaged and the most-advantaged groups in the population. This composite measure combines the effects of a household’s locational characteristics with household wealth, household members’ educational attainment, and a household’s gender composition. This analysis was carried out for eight health-related indicators. Therefore, in some cases the disparity measure incorporates some

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4 For a complete explanation of the analysis, please refer to the Statistical Appendix (Technical Note 4) of the Asia–Pacific Regional MDG Report 2011/12 (ESCAP, ADB, and UNDP 2012).
indicator-specific characteristics, such as the sex and age of the child for the indicators measuring malnutrition.

Figure 3.7 summarizes the results of the composite measure of inequality for selected health-related indicators and their respective attainment. As might be expected, overall disparities are larger in countries with relatively lower levels of attainment (large white bubbles). In Central Asia, attainments are generally higher, with low disparities (small black bubbles). Once again, the greatest success has been in the provision of water supplies. On the other hand, disparities are still large for maternal health care services (skilled birth attendance and antenatal care), with relatively low attainments.

**Understanding disparities within countries**

Disparities among subpopulations occur consistently across countries. Figure 3.8 illustrates disparities in some of the health-related indicators due to socioeconomic factors. For example, in the first block of the chart – the prevalence of underweight children under the age of 5 – the distance between the position of the dot and the vertical line identifying the value of zero represents the difference in the probabilities of a child being underweight in urban or in rural areas. The greatest rural–urban disparities occur in the Lao PDR, India, Nepal, and Timor-Leste. Wide disparities are also present in household wealth and in mothers’ educational level (presented in the second and fifth columns of the same figure).

Although there is a very complex set of interlinked factors behind the disparities, analysis reveals that sometimes only one factor needs to be addressed to create significant change and reduce disparities, even when the rest of the characteristics remain unchangeable. These opportunities are presented as arrows in the figures, showing the potential reduction of the disparity from a higher value to a lower value.

Continuing with underweight children under the age of 5, therefore, in Nepal there is an arrow for mother’s education, meaning that if mothers without education in Nepal are better educated and maintain their other characteristics, then the disparity between them and mothers with education would be reduced by an amount represented by the length of the arrow.

The figures suggest that there are common avenues to reduce disparities across the indicators. One remedy is to use household economic status as an indication of the need for targeted intervention, especially for water and sanitation. If the economic status of those in the lowest quintile could be moved up to that of the highest quintile, there would be a significant reduction in disparities in access to water and sanitation, even if other characteristics remained the same. The situation for the prevalence of underweight children under age 5 is similar, with the largest wealth effects found in Bangladesh and India. In addition, a considerable reduction in disparities in antenatal care coverage would occur if the mothers from households with the lowest economic status had the highest status instead, suggesting that differences in economic status play a very important role in producing disparities in health-related outcomes.
Figure 3.7 Disparities and attainment in health-related Millennium Development Goal targets.

Sources: Authors’ calculations based on data from Multiple Indicator Cluster Surveys (UNICEF n.d.) and Demographic and Health Surveys (Measure DHS n.d.) from respective countries and years.
Figure 3.7 Continued.

Notes: The size of the circle represents the extent of disparity, which is the difference between the estimated level of attainment of the most advantaged and the least advantaged sections of the population on the basis of several factors. The color represents the level of attainment of the entire population, which is defined differently for different indicators. For under-5 mortality, for example, attainment is considered high if the rate is below 20 per 1,000 live births, and thus is colored black. Medium attainment, colored dark grey, is between 20 and 39 per 1,000 live births. Low attainment, colored light grey, is between 40 and 60 per 1,000 live births. Poor attainment, colored white, is more than 60 per 1,000 live births.

All child mortality rates are calculated using the Measure DHS (n.d.) method for a 5-year period before the survey.

Estimates using the new standards were not available in earlier surveys; therefore, the under-weight and stunting statuses were calculated using the standard in De Onis and Blössner (1997), which is different from the World Health Organization Child Growth Standards 2006 used for the calculation of the prevalence of underweight children in previous sections.

In the case of Viet Nam, the results for under-5 mortality are based on the Measure DHS from 2002.

For details on the factors considered and the definition of levels of attainment for the rest of the indicators, please refer to the Statistical Appendix (Technical Note 4) of the MDG Regional Report for Asia and the Pacific 2012.

Another common factor is the education of the mother. Children born to mothers with no schooling were more likely to be underweight or stunted than children born to mothers with higher levels of education, even when other characteristics were the same. This means that the disparities among these groups could be reduced in Bangladesh, India, and Nepal, among other countries, if schooling opportunities for women were improved. Mothers with more education also have a greater chance of receiving antenatal care than their counterparts, and the effects of providing mothers with more education are visible in almost all countries. Children born to better-educated mothers were more likely to survive beyond their fifth birthday than children born to mothers with less or no education, and the effects of better-educated mothers are observable in five of 13 countries. Breast-feeding for at least six months has the greatest effect on under-5 mortality. In all the analyzed countries, the disparities in under-5 mortality would be reduced if all mothers breast-fed their children, with the greatest benefits reaped in South Asian countries.

Girls typically have a greater chance of surviving beyond their fifth birthday than boys, reflecting their biological advantage. This pattern is observed in Armenia, Cambodia, Indonesia, Pakistan, the Philippines, and Timor-Leste, though not in the rest of the countries included in the analysis. Disparities due to the different gender composition of households or the sex of the household head appear to be very small in comparison to other factors, and marginal or no effects on the analyzed indicators were observed.

The urban–rural disparity is consistent for most of the analyzed indicators; however, those average attainments also cover a large range of levels, and sometimes disparities are greater within urban and rural areas than between urban and rural areas. For example, if rural and urban households are divided into quintiles based on wealth, and if the prevalence of underweight children under age 5 is calculated for every quintile (as presented for India and Nepal in Figure 3.9), the urban–rural
Figure 3.8 Drivers of disparities in selected indicators.

Sources: Authors’ calculations based on data from Multiple Indicator Cluster Surveys (UNICEF n.d.) and Demographic and Health Surveys (Measure DHS n.d.) from the respective countries and years.
gap (the space between the horizontal broken and continuous lines) is smaller than the gap between the richest and poorest quintile (the markers at the extremes) in any area of both countries. In this figure, the zero point represents roughly the average national wealth index. Negative values correspond to lower levels of wealth and positive values to higher levels of wealth. Urban households are generally wealthier than rural ones. When this is true, the square markers on the continuous line (urban quintiles) will be to the right of the round markers on the broken line (rural quintiles), as is the case for India in Figure 3.9.

The similar gradients in India indicate that an increase in wealth would reduce the number of underweight children to a similar extent at all income levels. In Nepal, however, the situation is different. Here the greatest potential gains from greater wealth would be made by the two poorest urban quintiles. Another useful feature to consider is the extent to which the curves overlap, suggesting that urban or rural residence matters less than the wealth of the household.

Overall, for both water and sanitation the disparities are narrower in urban areas. This is partly due to the effect by which the range is compressed as attainment moves toward 100%; however, depending on the indicator, a lower disparity can also reflect the advantages of proximity. For example, water suppliers to extend services to communities living along the pipelines is relatively easier than to provide extra sources to more remote rural communities. But the situation for sanitation is different.

Cities in developing countries of Asia and the Pacific have relatively few main sewage lines, so access will depend more on what households can afford in the form of septic tanks.
Furthermore, disparities in health outcomes persist among various castes or among ethnic or linguistic groups, even after taking into account other factors such as wealth and education, suggesting the need to consider the effect of cultural and institutional barriers. In India, the prevalence of malnutrition was significantly higher among children belonging to scheduled castes (53%), scheduled tribes (59%), or other disadvantaged castes (48%). Similarly, in Nepal, children belonging to disadvantaged castes and other groups were more at risk than those belonging to the Gurung, the most advantaged caste (16%). In the Lao PDR, children from Lao families (33%) were at less risk of malnutrition than their counterparts in other groups (41%).

These analyses reveal that some factors are tied to specific regions, most probably reflecting the different policies and programs of local administrations. Some of the regional effects are illustrated in Figure 3.10 for Timor-Leste, where the prevalence of underweight children under age 5 depends to some extent on the state of residence. In this case, the position of the marker corresponds to disparity with the best-performing state, Dili, and the arrows represent the extent to which disparities could be reduced if these states had the distinctive characteristics of Dili, much of which might correspond to the policies of the state government.

Figure 3.10 Potential for reducing regional disparities in Timor-Leste.

Source: Authors’ calculations based on data from Demographic and Health Survey (DHS), Timor-Leste 2009.
Conclusion

This chapter has presented an overview of progress toward achieving the MDGs in the Asia and the Pacific countries. Progress has been impressive in some areas, but child and maternal health and sanitation are areas of special concern. Many gains could be achieved if off-track countries are able to reach their targets by 2015. Across the region, there are common issues and priorities, but every country needs to identify specific groups that are left behind, facilitate their catching up, and ease the acceleration toward achieving the MDGs.

Table A3.1 Economy groupings

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References


ADB recognizes China by the name People’s Republic of China.
4 Asia’s progress in eliminating poverty, with special reference to the People’s Republic of China and India

Guanghua Wan, Cuiping Zhu, and Shiladitya Chatterjee

Poverty reduction is the ultimate goal of development. It is thus no coincidence that the very first indicator of the Millennium Development Goals (MDGs) is to halve the 1990 poverty level by 2015. Since the inception of MDGs in 2000, governments, international organizations, and regional institutions everywhere have devoted tremendous resources and efforts to helping the poor, yet performance varies across continents, subregions, and countries. Generally speaking, Africa is lagging behind while the star performer is Asia. Within Asia, the People’s Republic of China (PRC) outperforms others. This pattern of performance seems to suggest the overwhelming importance of growth in reducing poverty (Dollar and Kraay 2002). In the past two decades, Asia has been growing at over 6% per annum, more than twice the average growth rate in Africa. Meanwhile, the PRC has experienced nearly double-digit growth for more than 30 years, which is unmatched by any other nation.

Growth does not, however, automatically translate into poverty reduction. For example, India also has been growing relatively fast since the early 1990s, but poverty reduction in India has not been very impressive. Even in the PRC, the trend of poverty reduction slowed down in the late 1990s, despite strong growth (Zhang and Wan 2006). Clearly, growth is necessary but not sufficient for reducing poverty. There is a need to look at both growth and nongrowth drivers of poverty reduction.

In the first part of this chapter, we will provide an update on poverty in Asia and demonstrate the contribution of growth to poverty reduction in Asia. In the second part, we turn our attention to the role of government in the fight against poverty by focusing on the two most populous countries in the world, the PRC and India. India has been growing at a slightly slower pace than the PRC, but its performance in terms of poverty reduction is far behind that of the PRC. It is possible that such a contrast is attributable to differences in the efficiency and effectiveness of

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1 The authors acknowledge the support of the PRC’s National Science Foundation (Project Nos. 71063022 and 71133004) and Yunnan Provincial Government through its “100 Top Scientists Program” (Bairen Jihua). The authors also wish to thank Rana Hasan for his comments on this paper.
poverty reduction policies and strategies, an issue we will address in later in this chapter.

The role of growth in Asia’s fight against poverty

Growth is important for poverty reduction, not least because growth usually generates jobs that offer the opportunity for the poor to participate in income-earning activities. Unlike the nonpoor, who may have physical capital or assets to invest, all the poor have is labor and they must find employment in order to produce income. In this sense, the phenomenon of jobless growth worries those who are concerned about poverty reduction. The importance of growth also lies in the fiscal revenue it brings. As public spending, notably fiscal transfer, is usually pro-poor, the increase in fiscal revenue from growth could also help reduce poverty.

How does growth affect poverty in Asia? One way to address this question is to obtain the poverty elasticity of growth. This can be achieved by econometric modeling in which poverty is regressed on growth and other determinants. An alternative approach is to calculate what is called quasi poverty elasticity of growth, in which the percentage change in the number of poor is divided by economic growth, typically gross domestic product (GDP) growth. GDP growth rates are available from various sources; however, poverty statistics, especially comparable and consistent cross-country poverty indicators, are not easy to locate.

A popular source on poverty is the World Bank’s website; however, the latest update of the World Bank is problematic (see Brookings Institution 2012). In particular, its March 2012 update left out two Asian countries (Mongolia and Uzbekistan). Fortunately, Wan and Sebastian (2011) updated Asia’s poverty data from 2005 to 2008. To maintain consistency with the World Bank, they use the common poverty lines of $1.25 and $2.00 per day, and the needed purchasing power parities were taken from the World Bank’s website. The national consumer price index for each country was used to inflate the poverty lines, however, the official consumer price indexes was adjusted to reflect the fact that the poor were disproportionately affected by higher food prices and possibly higher fuel prices during the last crisis. Table 4.1 shows the poverty scenario of Asia in 2008.

As a whole, the poverty rate in the region declined from 27.09% in 2005 to 21.87% in 2008 and is projected to decline further, to 18.7% in 2010. The decline occurred for all and in every country, although with varying magnitudes (Figure 4.1). For example, Bhutan had the biggest improvement in terms of percentage point reductions in the head count ratio, with a 19.6 percentage point reduction, followed by Uzbekistan (13 percentage points) and Cambodia (12 percentage points). On the other hand, the head count ratio declined little in Azerbaijan, Malaysia, and Thailand, which could be due to the very small incidence of poverty in these countries.

In terms of percentage changes in the head count ratio, Malaysia tops the list, followed by Azerbaijan and Kazakhstan (Figure 4.2). More than two-thirds of developing countries in Asia experienced at least a 20% reduction in the head
### Table 4.1 Poverty head count ratio and number of poor, using $1.25-per-day poverty line

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Head count ratio (%)</th>
<th>Number of poor (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Central and West Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>4.74</td>
<td>1.41</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>0.03</td>
<td>0.00</td>
</tr>
<tr>
<td>Georgia</td>
<td>13.44</td>
<td>8.85</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>1.15</td>
<td>0.18</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>21.81</td>
<td>16.44</td>
</tr>
<tr>
<td>Pakistan</td>
<td>22.59</td>
<td>17.99</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>21.49</td>
<td>17.79</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>11.72</td>
<td>6.59</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>38.81</td>
<td>25.85</td>
</tr>
<tr>
<td>2. East Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People’s Republic of China(^a)</td>
<td>15.92</td>
<td>9.24</td>
</tr>
<tr>
<td>Mongolia</td>
<td>22.38</td>
<td>16.96</td>
</tr>
<tr>
<td>3. The Pacific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>29.70</td>
<td>28.71</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>43.56</td>
<td>42.30</td>
</tr>
<tr>
<td>4. South Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>50.47</td>
<td>44.35</td>
</tr>
<tr>
<td>Bhutan(^c)</td>
<td>26.79</td>
<td>7.22</td>
</tr>
<tr>
<td>India(^d)</td>
<td>41.64</td>
<td>37.41</td>
</tr>
<tr>
<td>Nepal</td>
<td>54.70</td>
<td>52.04</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>10.33</td>
<td>7.17</td>
</tr>
<tr>
<td>5. Southeast Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>40.19</td>
<td>28.17</td>
</tr>
<tr>
<td>Indonesia(^e)</td>
<td>21.44</td>
<td>17.75</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>35.68</td>
<td>35.12</td>
</tr>
<tr>
<td>Malaysia(^f)</td>
<td>0.54</td>
<td>0.00</td>
</tr>
<tr>
<td>Philippines(^g)</td>
<td>22.62</td>
<td>17.54</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.40</td>
<td>0.20</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>22.81</td>
<td>13.88</td>
</tr>
<tr>
<td>TOTAL</td>
<td>27.09</td>
<td>21.87</td>
</tr>
</tbody>
</table>


Notes: For 2005, estimates are based on PovcalNet estimates as of August 2011. For 2008–2010, estimates in bold are based on household survey data, those in italics are based on grouped data, and those underlined are based on PovcalNet adjusted using consumer price index for the poor. The rest are derived using the poverty elasticity approach.

\(^a\)For Pakistan, 2008 estimates are based on Pakistan Integrated Household Survey 2007–2008.

\(^b\)For the PRC, 2008 estimates are derived using PovcalNet’s 2005 distribution and 2008 published mean per capita consumption expenditure from ‘People’s Republic of China Statistical Yearbook’.

\(^c\)For Bhutan, 2007 poverty estimates are estimated from Bhutan Living Standard Survey 2007 and are used to project 2008–2010 using the poverty elasticity approach.

\(^d\)For India, 2010 head count ratios are derived from grouped data from Key Indicators of Household Consumer Expenditures in India 2009–2010 NSS 66th Round, and 2008 and 2009 estimates are obtained by poverty elasticity approach.

\(^e\)For Indonesia, 2008 head count ratios are based on Indonesia’s National Socio-Economic Survey 2008.

\(^f\)For Malaysia, 2008 estimates are based on 2009 PovcalNet estimates adjusted using consumer price index for the poor.

\(^g\)For the Philippines, 2009 estimates are based on the Philippines’ 2009 Family Income and Expenditure Survey and are used to derive the 2008 estimates using the poverty elasticity approach.
Asia’s progress in eliminating poverty

Figure 4.1 2008 poverty head count ratio and percentage point reductions (using $1.25-per-day poverty line).


count ratio; however, the Lao People’s Democratic Republic (Lao PDR), Nepal, Papua New Guinea, and Timor-Leste showed a less than 5% reduction.

In terms of ranking in the number of poor, India had the highest number of poor for 2005, 2008, 2009, and 2010. This was followed by the PRC, Bangladesh, Indonesia, and Pakistan. This ranking is consistent for 2005, 2008, 2009, and 2010, except in 2010, when Bangladesh ranked second with an estimated 67.6 million poor.

A few countries, typically low-income ones, saw an increase in the number of poor despite a reduction in the head count ratio. This may be attributed to the population growing faster than poverty reduction due to sluggish GDP growth and/or worsening inequality. For example, in Nepal and Papua New Guinea, the poverty head count ratio declined by 2.7 and 1 percentage points, respectively, but the number of poor living below the $1.25-per-day poverty line actually increased.
Figure 4.2 Percentage change in the head count ratio between 2005 and 2008 (using $1.25-per-day poverty line).


As expected, poverty reduction is uneven across countries, with the PRC outperforming the rest (Figure 4.3). Of Asia’s 150 million who graduated from extreme poverty in 2005–2008, the PRC accounted for 85 million (or 57%) and India with 29 million (20%). Viet Nam and Bangladesh also did well, bringing 7 million (5%) and 6 million (4%) out of extreme poverty.

Under the $2-per-day poverty line, the overall head count ratio declined from 54% in 2005 to 47.4% in 2008 (Table 4.2). The total number of poor declined from 1.8 billion to 1.63 billion, a drop of 170 million. In 2005, there were 14 Asian countries with head count ratios above 50%. This number dropped to eight by 2008. Using the $1.25-per-day results, the total number of moderately poor – those living between the $1.25- and $2-per-day poverty lines – decreased by only 18.4 million, from 899.2 million in 2005 to 880.8 million in 2008. Clearly, most of those exiting extreme poverty became moderately poor.

In terms of improvement, Bhutan and Uzbekistan still topped the list with the biggest reduction in the head count ratio; however, instead of Cambodia, Armenia
occupied the third spot with the greatest poverty reduction. Similar to the earlier ranking, India ranked first, followed by the PRC and Indonesia, for the years 2005, 2008, 2009, and 2010.

With the updated poverty numbers, it is now possible to estimate the quasi poverty elasticity of growth. These estimates are presented in Table 4.3. As expected, most elasticities are positive, indicating that growth does lead to poverty reduction, and this is applicable for both 2002–2005 and 2005–2008. Also, there are significant variations in the growth effects on poverty across time and across countries, implying that the same growth could have different effects on poverty. This is exactly why policy, in addition to growth alone, is important.

Finally, it is noted that 14 of the 25 quasi elasticity values were at least as large in 2002–2005 as in 2005–2008. For these countries, therefore, the 2002–2005 period saw more poverty reduction than the 2005–2008 period for every percent growth in GDP per capita. Taking Asia as a whole, the quasi elasticity for 2002–2005 is larger than for 2005–2008. This is understandable because as poverty drops to lower levels it becomes increasingly difficult to fight poverty. In other words, the low-hanging fruits are easier to pick. Such a finding provides Asia with a good warning that the battle against poverty is far from over, despite promising growth prospects in the future. Government cannot simply rely on growth for
Table 4.2 Poverty head count ratio and number of poor, using $2-per-day poverty line

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Head count ratio (%)</th>
<th>Number of poor population (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Central and West Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>29.18 13.34 14.79 14.54</td>
<td>0.88 0.41 0.46 0.45</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>0.27 0.12 0.11 0.10</td>
<td>0.02 0.01 0.01 0.01</td>
</tr>
<tr>
<td>Georgia</td>
<td>30.42 23.88 24.85 23.06</td>
<td>1.36 1.03 1.06 0.98</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10.39 1.57 1.57 1.42</td>
<td>1.57 0.25 0.25 0.23</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>51.93 41.57 40.69 41.91</td>
<td>2.67 2.19 2.17 2.26</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2008 56.43 56.55 56.02</td>
<td>93.94 93.74 95.96 97.10</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>50.88 46.32 45.98 44.88</td>
<td>3.33 3.17 3.20 3.18</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>31.49 22.27 21.11 19.22</td>
<td>1.52 1.12 1.08 0.99</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>69.73 52.23 47.97 44.42</td>
<td>18.25 14.27 13.32 12.48</td>
</tr>
<tr>
<td>2. East Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>36.31 25.38 21.23 18.15</td>
<td>473.67 336.23 282.70 243.11</td>
</tr>
<tr>
<td>Mongolia</td>
<td>49.05 42.84 43.68 42.51</td>
<td>1.25 1.13 1.17 1.15</td>
</tr>
<tr>
<td>3. The Pacific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>51.04 49.69 49.23 48.54</td>
<td>3.10 3.27 3.31 3.34</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>70.33 68.73 66.74 65.44</td>
<td>0.69 0.75 0.76 0.77</td>
</tr>
<tr>
<td>4. South Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>80.32 74.83 73.31 71.80</td>
<td>123.11 119.73 118.92 117.95</td>
</tr>
<tr>
<td>Bhutan</td>
<td>50.14 24.69 24.10 23.51</td>
<td>0.32 0.17 0.17 0.17</td>
</tr>
<tr>
<td>India</td>
<td>75.62 73.28 71.45 69.47</td>
<td>827.69 835.31 825.47 812.79</td>
</tr>
<tr>
<td>Nepal</td>
<td>77.29 75.05 74.43 73.74</td>
<td>20.94 21.62 21.83 22.00</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>34.40 29.41 28.95 27.69</td>
<td>6.77 5.93 5.88 5.66</td>
</tr>
<tr>
<td>5. Southeast Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>68.20 56.14 56.40 55.01</td>
<td>9.52 8.18 8.35 8.28</td>
</tr>
<tr>
<td>Indoneisa</td>
<td>53.80 44.84 51.53 50.57</td>
<td>118.66 101.95 118.51 117.43</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>70.37 67.15 65.68 64.00</td>
<td>3.98 4.17 4.15 4.12</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7.81 2.39 2.58 2.20</td>
<td>2.00 0.65 0.71 0.61</td>
</tr>
<tr>
<td>Philippines</td>
<td>45.04 42.13 42.34 41.08</td>
<td>38.09 38.06 38.95 38.42</td>
</tr>
<tr>
<td>Thailand</td>
<td>11.52 10.03 10.44 9.68</td>
<td>7.26 6.76 7.08 6.59</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>50.48 39.63 38.84 37.81</td>
<td>41.95 34.17 33.90 33.33</td>
</tr>
<tr>
<td>TOTAL</td>
<td>54.04 47.43 45.64 43.58</td>
<td>1802.56 1634.26 1589.34 1533.38</td>
</tr>
</tbody>
</table>


Notes: For 2005, estimates are based on PovcalNet estimates as of August 2011. For 2008–2010, estimates in bold are based on household survey data, those in italics are based on grouped data, and those underlined are based on PovcalNet adjusted using the consumer price index for the poor. The rest are derived using the poverty elasticity approach.

aFor Pakistan, 2008 estimates are based on Pakistan Integrated Household Survey 2007–2008.
cFor Bhutan, 2007 poverty estimates are estimated from Bhutan Living Standard Survey 2007 and are used to project 2008–2010 using the poverty elasticity approach.
dFor India, 2010 head count ratios are derived from grouped data from Key Indicators of Household Consumer Expenditures in India 2009–2010 NSS 66th Round, and 2008 and 2009 estimates are obtained by the poverty elasticity approach.
eFor Indonesia, 2008 head count ratios are based on Indonesia’s National Socio-Economic Survey 2008.
fFor Malaysia, 2008 estimates are based on 2009 PovcalNet estimates adjusted using the consumer price index for the poor.
gFor the Philippines, 2009 estimates are based on the Philippines’ 2009 Family Income and Expenditure Survey and are used to derive the 2008 estimates using the poverty elasticity approach.
Table 4.3 Quasi poverty elasticity of growth, using $1.25-per-day poverty line

<table>
<thead>
<tr>
<th>Developing member country</th>
<th>Poverty reduction</th>
<th>Growth in gross domestic product per capita</th>
<th>Quasi poverty elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Central and West Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia&lt;sup&gt;a&lt;/sup&gt;</td>
<td>10.23</td>
<td>3.33</td>
<td>43.26</td>
</tr>
<tr>
<td>Azerbaijan&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.12</td>
<td>0.03</td>
<td>51.00</td>
</tr>
<tr>
<td>Georgia</td>
<td>1.66</td>
<td>4.59</td>
<td>30.33</td>
</tr>
<tr>
<td>Kazakhstan&lt;sup&gt;a&lt;/sup&gt;</td>
<td>4.00</td>
<td>0.97</td>
<td>29.40</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Armenia</td>
<td>12.22</td>
<td>5.37</td>
<td>10.92</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>13.28</td>
<td>4.60</td>
<td>15.17</td>
</tr>
<tr>
<td>Georgia</td>
<td>14.76</td>
<td>3.70</td>
<td>22.27</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>7.19</td>
<td>5.13</td>
<td>45.21</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>3.52</td>
<td>12.96</td>
<td>16.64</td>
</tr>
<tr>
<td>2. East Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People’s Republic of China&lt;sup&gt;a&lt;/sup&gt;</td>
<td>12.44</td>
<td>6.69</td>
<td>31.10</td>
</tr>
<tr>
<td>Mongolia</td>
<td>−6.91</td>
<td>5.42</td>
<td>22.54</td>
</tr>
<tr>
<td>3. The Pacific</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timor-Leste&lt;sup&gt;a&lt;/sup&gt;</td>
<td>9.38</td>
<td>1.26</td>
<td>4.10</td>
</tr>
<tr>
<td>4. South Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2.38</td>
<td>6.12</td>
<td>13.50</td>
</tr>
<tr>
<td>Bhutan</td>
<td>−0.56</td>
<td>19.57</td>
<td>18.49</td>
</tr>
<tr>
<td>India</td>
<td>2.27</td>
<td>4.23</td>
<td>21.91</td>
</tr>
<tr>
<td>Nepal</td>
<td>1.70</td>
<td>2.66</td>
<td>9.73</td>
</tr>
<tr>
<td>Sri Lanka&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.62</td>
<td>3.16</td>
<td>14.77</td>
</tr>
<tr>
<td>5. Southeast Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>10.12</td>
<td>12.02</td>
<td>32.14</td>
</tr>
<tr>
<td>Indonesia&lt;sup&gt;a&lt;/sup&gt;</td>
<td>7.87</td>
<td>3.69</td>
<td>10.97</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic&lt;sup&gt;a&lt;/sup&gt;</td>
<td>8.28</td>
<td>0.56</td>
<td>14.33</td>
</tr>
<tr>
<td>Malaysia&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.59</td>
<td>0.54</td>
<td>11.70</td>
</tr>
<tr>
<td>Philippines</td>
<td>−0.63</td>
<td>5.08</td>
<td>10.09</td>
</tr>
<tr>
<td>Thailand&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.30</td>
<td>0.20</td>
<td>16.16</td>
</tr>
<tr>
<td>Viet Nam&lt;sup&gt;a&lt;/sup&gt;</td>
<td>17.24</td>
<td>8.93</td>
<td>21.07</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7.40</td>
<td>5.22</td>
<td>25.10</td>
</tr>
</tbody>
</table>


Notes: A positive number means head count ratio declined, whereas a negative number means head count ratio increased.

<sup>a</sup>Indicates countries in which the quasi-elasticity was larger in 2002–2005 than in 2005–2008.
poverty elimination. Proactive policies will have to play more important roles, a topic we turn to in the next section.

Comparative poverty reduction experiences of the People’s Republic of China and India

The PRC and India together account for nearly 70% of the total number of extremely poor people in Asia. India alone accounts for 60% and the PRC 10%. The PRC’s reduction in poverty, both in absolute numbers and in the rate of incidence, has been quite remarkable, whereas that of India has been somewhat lackluster. Between 1990 and 2010, the PRC reduced its poverty incidence from 60% to just 5%, and the number of poor from 683 million to 67 million. During the same period, India managed to reduce its poverty incidence from 51% to 33%, and the total number was only reduced from 448 million to 390 million.2

The quite dissimilar experience of these two giant Asian neighbors in reducing poverty has evoked considerable interest and inquiry. Several theories have been advanced to explain the differences. At a very aggregative level, two major differences stand out: the PRC has had a much higher rate of growth than India since 1990, and growth in the PRC also has been more inclusive and pro-poor during this period. To some extent, this has been the result of significant policy differences.

Before we come to a discussion of policies, let us elaborate on the broad contours of development that have occurred in these two countries, which explain the differences in poverty reduction outcomes. The average per capita growth rate in the PRC in the 30-year period 1990–2010 was 9.12% per annum, whereas for India it was far lower, at 4.66%. This was the result of both faster GDP growth in the PRC and slower growth of population. Table 4.4 sets out the comparative GDP, population, and per capita GDP growth rate of the two countries.

The growth process in the PRC has also been more pro-poor. To begin with, growth across the economy in the PRC involved a much larger structural change, from agriculture to the industry and services sectors. As shown in Table 4.5, the share of agriculture relative to GDP declined in the PRC from around 27% to around 10% between 1990 and 2010, while its share in employment fell from about 60% in 1990 to about 40% by 2008. In comparison, starting with similar shares in early 1990s, India saw a much smaller drop in the share of agriculture, in both output and employment, until 2010.

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2 Although the pace of poverty reduction in India has been considerably slower than in the PRC, over the most recent five-year period for which we have data (2004–2005 to 2009–2010), the rate of reduction in poverty has increased significantly in India. Thus, whereas the poverty rate declined by around 0.8 percentage points per year on average between 1993 and 2004, it has declined by around 1.4 percentage points per year over the 2004–2009 period. This is the result of both higher per capita GDP growth and higher elasticity of poverty reduction resulting from growth (evident from Table 4.3), the latter stemming from direct antipoverty programs, including the employment guarantee schemes discussed later.
Table 4.4 Comparative average annual growth rates of India and the People’s Republic of China (1990–2010)

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross domestic product growth rate (%)</th>
<th>Population growth rate (%)</th>
<th>Per capita gross domestic product growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>6.35</td>
<td>1.69</td>
<td>4.66</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>9.94</td>
<td>0.82</td>
<td>9.12</td>
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Table 4.5 Comparative structural change in the People’s Republic of China and India

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percent of gross domestic product</th>
<th>Percent of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>People’s Republic of China</td>
<td>India</td>
</tr>
<tr>
<td>Agriculture</td>
<td>27.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Industry</td>
<td>41.3</td>
<td>46.8</td>
</tr>
<tr>
<td>Services</td>
<td>31.5</td>
<td>43.1</td>
</tr>
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Because the poor lived mainly in rural areas, with agriculture as their primary livelihood, a massive exit of the poor to more productive employment outside the farm sector occurred in the PRC. Much of this was off-farm employment in rural industries. For instance, employment in town and village enterprises, which represented about 10% of total rural employment in 1978, rose to 27.4% by 2002 (National Bureau of Statistics 2011). The PRC’s massive industrialization program, which made it the hub of the world’s manufacturing activity, contributed much to this process. Such a major change did not take place in India. Some even argue that much of the limited off-farm employment increase in India was largely due to low productive employment in the informal services and industry sectors, further reducing the poverty-reducing effect of such migration (Thorat and Fan 2007).

There are many other factors that made growth more pro-poor in the PRC. First, the agriculture sector grew much faster in the PRC than in India. Between 1978 and 2002 agriculture grew at 4% per annum in the PRC, whereas it grew at a much slower pace of 2.9% in India over a similar period (1981–1982 to 2002–2003) (Thorat and Fan 2007). The faster growth, along with a much more egalitarian land distribution pattern in the PRC, contributed significantly to the decline in rural poverty in the PRC.
This far more rapid long-term agricultural growth in the PRC than in India was the result of stronger pro-agriculture and pro-poor policies for the farm sector. The land reform program stemming from the PRC’s Land Reform Law of 30 June 1950, soon after the founding of the People’s Republic, led to much more successful land distribution among the poorer peasants than was the case in India’s land reform programs after independence, which were successful mainly under left-ruled governments in the states of Kerala and West Bengal but remained incomplete in other states. Successful organization of farming cooperatives in the PRC since 1954 may have led to the collectivization efforts under the so-called Great Leap Forward in 1958; however, a major regression in agricultural growth and famines followed. The system was dismantled and private incentives in farm production were restored under the household responsibility system initiated in 1978.

An interesting question that arises in this context is whether “completing” land reforms in India at this stage could still help increase farm productivity. Although major advances in redistribution of land to the poor are largely unlikely in most states, given the prevailing political circumstances, attempting to provide more security of tenure could provide stronger incentives for tenants to invest in land. Attempts at consolidation of small holdings – which could make new technologies more profitable – also could be attempted through cooperatives, for instance.3

Public investments in agriculture have proceeded in fits and starts in both countries. Although the period beginning with the Great Leap Forward and ending with the termination of the Cultural Revolution (1958–1966) saw a relative drop in agriculture investments in the PRC, there was an absolute decline in public investments in India in the 1980s and 1990s (Thorat and Fan 2007). Gauged on a critical indicator – expansion of irrigation – the PRC has done better. In the PRC, the proportion of cultivated area that is irrigated increased from 18% in 1952 to about 50% in 2007. In contrast, starting at the same level of 18% (in 1950), irrigation in India had risen to only 43% by 2007 (India Planning Commission 2008). The PRC also appears to have given more attention to agricultural research. By the late 1990s, the PRC is estimated to have invested more in agricultural biotechnology research than all other developing countries combined, and its public spending on agriculture biotechnology was second only to that of the United States (Huang and Rozelle 2009).

In addition to a more vibrant agriculture sector, the PRC has achieved better human development outcomes, which has contributed to pro-poor growth in agriculture and helped migrants from farming acquire better skills to find productive jobs outside the agriculture. Table 4.6 compares human development outcomes from earlier periods with present-day outcomes. In each of the aspects studied – education, nutrition, health, and overall life expectancy – the PRC has achieved

3 A recent study by Foster and Rosenzweig (2010) points out that at the scale at which Indian farms operate, it is unprofitable to introduce new technologies, though these are key to improving productivity. The authors carry out some simulations suggesting that consolidation of land holdings might lead to a more sustainable and dynamic agriculture.
Asia’s progress in eliminating poverty

Table 4.6 Progress in selected social development outcomes

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<tr>
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<td>43.46</td>
<td>62.90</td>
<td>66.99</td>
<td>69.46</td>
<td>71.24</td>
<td>73.27</td>
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<tr>
<td>Female</td>
<td>41.89</td>
<td>62.23</td>
<td>65.51</td>
<td>7.93</td>
<td>69.63</td>
<td>71.60</td>
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<tr>
<td>Male</td>
<td>42.45</td>
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<td>55.35</td>
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<td>61.61</td>
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<tr>
<td>Female</td>
<td>43.31</td>
<td>49.79</td>
<td>55.37</td>
<td>58.07</td>
<td>60.65</td>
<td>63.63</td>
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<thead>
<tr>
<th>Maternal deaths (per 100,000 live births)</th>
<th>1990</th>
<th>2000</th>
<th>2008</th>
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<tr>
<td><strong>People’s Republic of China</strong></td>
<td>110.0</td>
<td>60.0</td>
<td>38.0</td>
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<tr>
<td><strong>India</strong></td>
<td>570.0</td>
<td>390.0</td>
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<th>Child deaths (per 1,000 live births)</th>
<th>1960</th>
<th>1970</th>
<th>1980</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
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<td>65.30</td>
<td>48.00</td>
<td>33.00</td>
<td>18.00</td>
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<tr>
<td><strong>India</strong></td>
<td>238.90</td>
<td>187.80</td>
<td>147.10</td>
<td>115.00</td>
<td>86.00</td>
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<th>Proportion of population below minimum level of dietary energy consumption (%)</th>
<th>1980</th>
<th>1991</th>
<th>2001</th>
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<th>Mean years of schooling</th>
<th>1980</th>
<th>1990</th>
<th>2000</th>
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<td><strong>People’s Republic of China</strong></td>
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<td>Mean years of schooling</td>
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<td>Mean years of schooling</td>
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...significantly more than India. Thus, overall life expectancy, which was at similar levels in both countries in 1960 (in the low 40s), climbed to over 73 for the PRC by 2010, whereas in India it had reached only 63 by that year. Between 1970 and 2010 India had reduced child mortality to one-third of the 1970 level, whereas the PRC had reduced it to one-sixth. Reduction of maternal mortality was equally dramatic in the PRC, with a reduction to one-third the level of 1990 achieved by 2008, while India reduced maternal deaths by only 40%. Child undernutrition and...
undernutrition in the general population has almost been wiped out in the PRC (both below 10%), whereas 43% of children in India still suffer from undernutrition, as does one-fifth of the total population. In education outcomes, the PRC also has far outperformed India.

The PRC achieved universal primary enrollment and primary completion by 1991; India has yet to achieve these. In 2009 the PRC had reached an average mean schooling year of 7.5, against India’s 4.3. These numbers clearly reflect a far stronger capability – expansion program in the PRC.

Another crucial difference between the two countries is in their approach to population policy. Although both governments have taken measures to limit population growth, the PRC’s one-child policy – whatever its merits or drawbacks – has succeeded in dramatically reducing the PRC’s population growth. In contrast, India’s brief experiment with interventionist population limitation programs during the Emergency, imposed by Indira Gandhi, was one the factors that led to her party’s electoral loss and the withdrawal of all coercive measures thereafter. The result has been a slower decline in population growth rates. India’s continued high population growth partly explains why, despite a quite significant decline in poverty incidence, the number of poor has not declined as dramatically. Differences in population growth rates must, therefore, be added to the other major factors contributing to the significantly different poverty reduction outcomes in the two countries.

Behind these significant differences lies a stronger state intent to reduce poverty deprivations. Compared with India, the PRC appears to have adopted better coordinating institutions and vested them with more authority to ensure the success of its poverty reduction programs. Proactive poverty reduction roles were played by both the central and local governments. In 1986, the PRC government set up the State Council Leading Group on Poverty Alleviation and Development, headed by a deputy prime minister. Members of the group consist of 33 ministries and commissions, including the powerful National Development and Reform Commission and the ministries of finance, agriculture, education, and science and technology. Corresponding institutions were set up in provinces, counties, and even townships to ensure implementation of poverty reduction projects, programs, and policies.

In India, poverty reduction programs are headed at the central government level by the Ministry for Rural Development, but it does not have the same authority or mandate as the PRC’s Leading Group. There is no equivalent high-level institutional arrangement to coordinate specific national efforts to fight poverty in India, either at the central government or in the states; however, this lacuna has been noted in India’s Eleventh Five Year Plan document, which has recommended establishment of a high level national agency to administer the National Rural Poverty Elimination Program in close partnership with similar state agencies (Government of India, Planning Commission 2008).

The high priority accorded to poverty reduction by the PRC government is evident from the emphasis on poverty reduction programs in its national development efforts. Apart from establishing the Leading Group in 1986, which launched a
nationwide targeted program to reduce poverty, the PRC government launched the 8.7 Campaign in 1993, committing to lift the remaining 80 million poor out of poverty in the remaining 7 years of the 20th century. In 2001 the PRC launched its first 10-year plan for poverty reduction, shifting policy targets to the much smaller villages rather than the counties. The plan also introduced the participatory approach and emphasized capacity building and training for potential rural-to-urban migrants. In 2011 the second 10-year plan for poverty reduction was launched. This plan also increased the official poverty threshold, from RMB1,196 to RMB2,300.4

In contrast, India included poverty reduction programs within the ambit of its general five-year development plans but did not have specific countrywide, coordinated plans for poverty reduction. India’s federal structure, with development mainly the responsibility of state governments, has presented a challenge in adopting nationwide development programs in general and has hampered its national poverty reduction efforts. As mentioned, this was recognized in the Eleventh Five Year Plan document.

Both countries have devised various poverty reduction schemes, with mixed results. An important feature of the PRC’s poverty reduction programs since the mid-1980s has been the adoption of geographic targeting. Upon its establishment in 1986, the Leading Group selected 331 counties as state-designated poor counties, which were targeted to receive direct fiscal transfers as well as indirect assistance such as tax concessions, subsidized loans, and preferential treatment in official projects and programs. In 2001, with the first 10-year plan for poverty reduction, the number of state-designated poor counties was expanded to 592 and the central government budget for poverty reduction was increased significantly. With the 2011 second 10-year plan for poverty reduction, the government, while retaining the poor village and poor county focus, now gave priority to 14 ultrapoor areas that lay across provincial administrative borders. Apart from the central government’s state-designated poor counties and villages, some provinces also have their own province-designated poor counties and villages.

The wisdom of such a geographically targeted approach had been debated by scholars. Using data from Sichuan and Shaanxi, Rozelle, Linxiu, and Jikun (2000) found that economic growth accounts for the bulk of poverty reduction and that policy interventions played little role. Empirical results from Fan (2003) indicate that, among alternative government investment programs, subsidized loans produced the least effect on poverty. Fan attributes the insignificant policy effects to

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4 The move is significant for three reasons. First, an additional 100 million rural residents (a total of 128 million) will qualify for social welfare assistance, thus helping to reduce income inequality – one of the most pressing and important challenges the PRC has been facing. Second, the move will boost domestic consumption, thus helping to rebalance the PRC’s economy by reducing external trade imbalance and reducing heavy reliance on investment as the main driver of growth. In other words, the move will facilitate structural adjustment and improve the PRC’s growth sustainability, which is very crucial for the global economy. Finally, the new threshold is closer to (although still short of) the $1.25 poverty line.
frequent misuse of funds and ineffective targeting. After all, the state-designated poor counties only include half of the PRC’s poor. Furthermore, urban poverty that emerged in the mid-1990s and rose with the massive inflow of migrants is not covered by the national poverty reduction plans. According to Jalan and Ravallion (1998, 2000), policy interventions in the PRC were effective in reducing chronic poverty but not effective in reducing transient poverty.

Although India did not adopt a geographically targeted approach in its drive to reduce poverty, it has directed employment generation programs toward the poor since the 1980s. An employment guarantee scheme, which began in Maharashtra in 1979, was slowly expanded to other parts of India and was finally universalized in 2005 under the National Rural Employment Guarantee Act, which ensured a minimum 100 days of paid manual work at minimum wages to any rural inhabitant seeking work. The scheme was expected to be self-targeting toward the very poor; however, a lack of timely allocation of budgets, implementation delays, and payment of statutory minimum wages, which tend to be higher than market wage rates in most states, have undermined the pro-poor objectives of the program. A recent study indicates that while the poor – including poor women and members of lower castes – did make use of the program, large numbers of the poor looking for work in poorer states were not given employment under the program due to insufficient funding (Dutta et al. 2012).

Apart from these two major flagship projects – the geographic targeting of poor counties and villages in the case of the PRC, and the National Rural Employment Guarantee scheme in India, both countries have had a number of other antipoverty programs. These include livelihood/microenterprise schemes with subsidized credit targeted at poor households, and safety net programs. The PRC also has a limited food-for-work program.

In India, livelihood programs through the organization of self-help groups have had some success in the southern states, and about 2.6 million self-help groups operate all over India. Further expansion of the program throughout the country is being attempted. In the PRC, a subsidized loan program administered by the Leading Group for Economic Development in Poor Areas and the Agricultural Development Bank was established in 1986 to provide poor households selected by poverty officials for the development of crops, animal husbandry, and agricultural processing with subsidized low-cost credit, typically at nominal interest rates of 2% to 3%. In 1989, however, the Leading Group decided to channel such loans through township and village enterprises because it felt that most poor households had a low capacity to utilize such loans. Unfortunately, many of the town and village enterprises themselves failed and in 1997 the Leading Group decided to provide such funds to microfinance schemes covering 2.3 million poor households.

As far as safety nets are concerned, in 1999 the PRC started an urban minimum income guarantee scheme popularly known as the dibao scheme, and this was later extended to rural areas where local governments could afford them. This cash transfer scheme would top up incomes of those falling below the minimum stipulated income levels. In 2007, total expenditure on this program reached RMB27.5 billion in urban areas and RMB10.4 billion in rural areas. As of 2010, the number
Asia’s progress in eliminating poverty

of beneficiaries had reached 23 million, or about 4% of the total urban population, and 52.3 million in rural areas (Gao 2011). No such program on such a wide scale exists in India, although there are fragmented cash transfers to especially vulnerable groups, such as the old, poor mothers, and the indigent, under the National Social Assistance Program begun in 1995. This is similar to the PRC’s Five Guarantee policy scheme, in which cooperatives provide food, clothing, health care, housing, and burial expenses (or education, for orphans) for the aged, widows without children, the disabled, and orphans.

Summary and concluding remarks

Poverty estimates for 2008, as well as projections for 2009 and 2010 for developing Asia, make it clear that Asia and the Pacific remains home to the majority of the world’s poor. Nevertheless, updated estimates show significant poverty reduction in the region for those under both the $1.25-per-day and $2-per-day poverty lines. As expected, the PRC and India accounted for the largest reduction in the number of poor, driven by the countries’ rapid economic growth and relatively large populations. On the other hand, several developing countries in Asia saw the number of poor increase despite a decline in their head count ratios. These economies typically recorded sluggish growth. Clearly, poverty reduction largely depends on growth. Thus, for an Asia and the Pacific region free of poverty, it is essential to maintain – and preferably to step up – economic growth.

It must be noted, however, that although economic growth is important, it does not necessarily result in significant poverty reduction, as evidenced by some negative elasticities (Table 4.3). Table 4.3 also shows that the effect of growth on poverty was smaller during 2005–2008 relative to 2002–2005. This corroborates the observed increases in inequality in Asia and the Pacific, implying the need for more inclusive growth. Policies and strategies that ensure equal access to opportunities and the establishment of social protection systems in the region are urgently required.

From this perspective, the lessons and experience of the PRC and India are expected to be valuable. This basic proposition is borne out by the comparative poverty reduction experiences of the two countries. The major lessons that can be learned from the comparative study include the following:

(i) Poverty in the region, as in India and the PRC, is highly concentrated in rural areas, with farming being the main activity of the poor. Interventions to improve agricultural productivity can therefore significantly help reduce poverty. It is important to know and understand the main income source of the poor and to use this information in the design and implementation of poverty reduction programs.

(ii) Farmers must have the right to land and assets. Without equitable allocation of farmland, it would have been impossible for the PRC to achieve its massive poverty reduction in the early 1980s. India’s post-independence failure to implement its land distribution program is one of the key reasons for
the inability of the poor to participate in agriculture sector growth in the country. (iii) Although economic growth plays an important role in reducing poverty, it is also necessary to ensure that such growth is more inclusive. Investments in human capital, and addressing deprivations in education, health, and other basic needs is essential for providing the poor with the wherewithal to escape poverty. The PRC’s relative success over India in this area illustrates this very well. (iv) The state will need to play a more proactive role in reducing poverty. The PRC government’s determination to reduce and eliminate poverty from society was evident from the establishment of the Leading Group. India is now considering a similar high-level agency with adequate authority to root out poverty. (v) Evidence-based policy making is very important. Poverty statistics can greatly help in assessing the effectiveness and impact of poverty reduction programs and in designing or targeting priority areas for poverty reduction programs.

References


5 ADB recognizes China by the name People’s Republic of China.
Continuance of extreme poverty in Asia, with about one in five persons in poverty and almost half a billion suffering from hunger (Economic and Social Commission for Asia and the Pacific [ESCAP], Asian Development Bank [ADB], and United Nations Development Programme [UNDP] 2012), raises the issue of the long-term sustainability of the region’s economic growth and development. About one in six people in the region suffers from malnourishment, and about one in three children is underweight. These conditions contribute to ill health and morbidity.1 These problems are particularly severe in South Asia and Southeast Asia. The Millennium Development Goal (MDG) target to reduce hunger by half is unlikely to be achieved in the case of child hunger; the region also may miss the target for reducing undernourishment if recovery from global economic crisis is sluggish and food prices continue to remain high.

There is no universally accepted definition of hunger or its measurement. Over the years, the discussion has shifted from the mere availability and access to food to broader issues of nutrition. At the World Food Summit of 1996, the Food and Agriculture Organization (FAO) (1996) posited that hunger can be eliminated and food security would exist “when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (Para. 1 of Plan of Action).

MDG 1 focuses on reducing extreme poverty and hunger. The hunger target in MDG 1 aims to halve the proportion of people who suffer from hunger, from 1990 to 2015, as measured by two indicators: the prevalence of underweight children under the age of 5 (as defined by the United Nations Children’s Fund [UNICEF]), and the proportion of the population below the minimum level of dietary energy consumption (as defined by the FAO). These hunger indicators examine two critical dimensions: child malnutrition as measured by low weight and lack of sufficient dietary energy consumption in the general population. Although other indicators exist, these two are most often referred to, partly owing to the availability of data.

1 Malnourishment in children is a contributing cause of reduced infant and child survival rates. The correlation between the incidence of underweight children under age 5 and mortality of children under age 5 is moderately high at 0.42 for the latest period reported.
Hunger in the general population is measured by dietary energy supply. Some experts recommend a minimum of 2,200 calories for adults undertaking light activity; others suggest variations of this.² The MDG target for undernourishment in the general population uses the FAO definition, which derives a proportion of the undernourished through distribution of the dietary energy supply within a country’s population and by establishing a minimum cutoff point below which people are considered energy-consumption deficient. This approach has several drawbacks, including failure to include other vital nutrients such as minerals and vitamins; to account for the different energy requirements of men, women, and children; and to consider the varying needs of people engaged in different types of work (Box 5.1).³

**Box 5.1 Data limitations in the computation of hunger**

Challenges exist in measuring hunger. The Food and Agriculture Organization (FAO) methodology for computing hunger, for instance, has several issues. The methodology measures the national per capita availability of calories and the distribution of available calories across households, and defines a minimum acceptable per capita availability (intake) of calories, below which households are classified as undernourished (Svedberg 1999). However, the quality of data from different regions varies greatly, and although the survey techniques used are designed to minimize error, the sample sizes are small and sampling is not random. Finally, the estimation of the food availability minimum involves a complex procedure and relies on a wide range of difficult-to-measure variables, for which the FAO uses a subjective best judgment.

According to Svedberg, the FAO methodology is simplistic; provides a supply-side explanation of undernourishment while shedding little light on demand-side factors; and cannot properly identify undernourished individuals and households. Svedberg’s alternative method – anthropometrics – has some advantages. It is based on data collected for individuals; allows estimation of intra-household allocation of nutrients by age and gender, which is useful for targeting households and individuals in intervention schemes; and is simple and accurate. However, the data requirements are quite demanding, relying on family health surveys rather than household surveys.

These data difficulties may partly explain why poverty reduction is not observed to translate into hunger reduction. In particular, the relationship between prices for food and nonfood items in a price index used to measure poverty influences how poverty translates into hunger.

² For example, Ahmed et al. (2007) defined three categories of the hungry based on the number of calories consumed per day: the subjacent hungry, consuming 1,800 to 2,200 calories per day; the medial hungry, consuming 1,600 to 1,800 calories per day; and the ultra-hungry, consuming fewer than 1,600 calories per day. The poor are also classified according to intensity of poverty being experienced: the subjacent poor live on $0.75 to $1 per day; the medial poor live on $0.50 to $0.75 per day; and the ultra-poor live on less than $0.50 per day. The authors found a strong association only between ultra-poverty and hunger.

³ For an analysis of micronutrient deprivation and its relation to calorie deprivation in rural India, see Jha, Gaiha, and Sharma (2009a).
For example, if nonfood items are more expensive and are given greater weight in
the index, then the index will be higher, causing more people to be measured as poor,
even though their nutritional needs are met. Conversely, if nonfood items are relatively
cheaper, then fewer people may be classified as poor, even though they are nutritionally
deficient. Such factors may weaken the relationship between hunger and poverty.

Many development agencies have advocated focusing on the most vulnerable
population group – children. Examining child malnutrition is also critical due to
the large costs that the problem causes for labor and overall economic productivity.
This is the genesis of the second MDG indicator on hunger: child hunger.

Estimates and trends of hunger and poverty in the region

Asia and the Pacific witnessed a rapid reduction in poverty between 1990 and
2005 (Table 5.1 and Table 5.2). However, the incidence of hunger and the number
of hungry have not fallen as dramatically, indicating that hunger is a more stubborn
adversary than poverty.

The incidence of poverty in the region, using the $1.25-per-day measure,
dropped from 54% to 22%. But the incidence of undernourished population only
fell from 21% in 1991–1994 to 16% in 2001–2006 (Table 5.1). Moreover, the
extent of child undernourishment, determined by the prevalence of underweight
children under age 5, only fell from 34% to 27% in a similar period (although not
the same period; due to scant data, estimates based on ranges within 1992–1999
and 2002–2008 have been reported).

The story is similar for the total number of the poor and hungry. Although the
number of poor has fallen dramatically – from about 1.5 billion in the 1990s

Table 5.1 Incidence of poverty and hunger

<table>
<thead>
<tr>
<th>Region or subregion</th>
<th>Headcount ratio (%), purchasing power parity</th>
<th>Prevalence of undernourishment (% of population)</th>
<th>Proportion of underweight children under age 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>60 13 44</td>
<td>18 24 22</td>
<td>15 24 32</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>51 34 51</td>
<td>22 24 22</td>
<td>34 27 34</td>
</tr>
<tr>
<td>South Asia</td>
<td>41 24 41</td>
<td>21 24 22</td>
<td>11 12 11</td>
</tr>
</tbody>
</table>

Note: Due to scant data availability, East Asia includes only the People’s Republic of China, and Pacific includes only Fiji, Timor-Leste, and Vanuatu. Data refer to latest available during the period specified.
Table 5.2 Absolute numbers: poor, undernourished population, and underweight children (millions)

<table>
<thead>
<tr>
<th>Region or subregion</th>
<th>Poor ($1.25-per-day purchasing power parity)</th>
<th>Undernourished people</th>
<th>Underweight children under age 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia and the Pacific</td>
<td>1,494 763</td>
<td>583 548</td>
<td>120 88</td>
</tr>
<tr>
<td>East Asia</td>
<td>683 173</td>
<td>210 132</td>
<td>18 6</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>177 80</td>
<td>105 75</td>
<td>17 10</td>
</tr>
<tr>
<td>South Asia</td>
<td>552 488</td>
<td>228 290</td>
<td>75 63</td>
</tr>
<tr>
<td>Central and West Asia Pacific</td>
<td>79 36</td>
<td>40 51</td>
<td>10 8</td>
</tr>
<tr>
<td>Pacific</td>
<td>0.7 0.4</td>
<td>0.4 0.4</td>
<td></td>
</tr>
</tbody>
</table>


Note: Due to scant data availability, East Asia includes only the People’s Republic of China, and Pacific includes only Fiji, Timor-Leste, and Vanuatu. Data refer to latest available during the period specified.


The region’s divergent performance on poverty and hunger suggests that policies that attempt to reduce poverty alone may not reduce hunger, which calls for special measures. Focus is also needed on South Asia, which accounted for almost 53% of the region’s hungry, 59% of the extreme poor, and 72% of underweight children. In addition, South Asia is witnessing an increase in the absolute number of the undernourished. Other countries with high undernourishment in the general population (i.e., with incidence exceeding 15%) are the Central Asian nations of Armenia, Mongolia, and Tajikistan; and the Southeast Asian nations of Cambodia, Indonesia, the Lao People’s Democratic Republic (Lao PDR), the Philippines, Thailand, and Timor-Leste (Figure 5.1). Countries with incidence of underweight children exceeding 15%, other than those in South Asia, are the Southeast Asian nations of Cambodia, Indonesia, the Lao PDR, the Philippines, Timor-Leste, and Viet Nam; Tajikistan in Central Asia; and Papua New Guinea in the Pacific.

Will the Millennium Development Goal hunger targets be reached?

The region is unlikely to achieve the MDG hunger targets. The target on reduction of underweight children will not be reached, given current trends (ESCAP, ADB, and UNDP 2012). Discussing undernourishment of the population, the FAO (2009) indicated that “while the proportion of undernourished continually
This data indicates that the region has achieved roughly a 2.4% annual reduction (geometric) in the incidence of undernourishment in the population, which is too slow to achieve the MDGs. The main stumbling block is South Asia, where there has been no reduction in the period studied. Moreover, the region is much
further away from meeting the stricter World Food Summit target of reducing by half the absolute number of hungry, from the 1990 level of 583 million to 292 million by 2015. In fact, by 2004–2006, the region had reduced the population of malnourished by only 35 million, to 548 million. In South Asia, the numbers of malnourished have greatly increased. With food prices remaining high since 2009, the prospects of the target being reached have receded even further.

Causes and correlates of hunger: evidence from cross-country data

The latest data from Asian countries (pooled with time series when more than a single year of data was available) shows an interesting set of associations for the two MDG indicators of hunger, namely incidence of undernourished population and underweight children. The regression results (Table 5.3) indicate that hunger in the general population is mainly caused by low average incomes, poverty, and lack of access to sufficient food (as measured by per capita cereal consumption). On the other hand, as expected, hunger among children is a more complex phenomenon. Factors affecting hunger in children include average income levels (but not poverty); per capita cereal production; health-related factors such as immunization of children and access to sanitation; and population size as well as population growth, which increases household size and reduces access to income and food. Women’s development (using the proxy of gender parity in tertiary education, which shows considerable variation between countries) also came up as significant in one of the regressions.

Poverty and hunger

The cross-country data shows that although poverty is weakly associated with malnourishment in the general population (with elasticity of only 0.28), it was not found to be at all significant in explaining child hunger. Ahmed et al. (2007), using survey data from 16 countries and defining the hungry as those consuming less than 2,200 calories per day, found a high correlation (0.63) between hunger in the general population as measured by caloric deficiency and poverty. However, analyzing the disaggregated results for subjacent, medial, and ultra poverty and hungry groups showed that the correlations between poverty and hunger are relatively high and statistically significant only for the ultra poor and hungry. One possible reason why the two seemingly close phenomena of poverty and hunger do not exhibit very strong association is that the measurement of both involves issues that have not been fully resolved.

Income growth

Income growth is clearly a vital factor in reducing hunger, although its effect on reducing income poverty is far higher. As revealed by the regressions, income growth has an elasticity of around −0.5 on both indexes of hunger. Various studies (e.g., Wan and Francisco 2009) have shown much higher elasticities of growth on
Table 5.3 Regression results, determinants of hunger

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Gross domestic product per capita</th>
<th>Income poverty</th>
<th>Cereal production per capita</th>
<th>Cereal consumption per capita per day</th>
<th>Access to sanitation</th>
<th>Children 1 year old immunized against measles</th>
<th>Gender parity in tertiary education</th>
<th>Population growth rate</th>
<th>Adjusted R²</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1</td>
<td>-0.5792**</td>
<td>-0.1432**</td>
<td>-0.5146**</td>
<td></td>
<td>0.1188**</td>
<td>0.58</td>
<td>68</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-8.1420</td>
<td>-3.3220</td>
<td>-2.186</td>
<td></td>
<td></td>
<td>3.9162</td>
<td>38</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equation 2</td>
<td>-0.5688**</td>
<td></td>
<td></td>
<td></td>
<td>-0.8609**</td>
<td>0.2256**</td>
<td>0.60</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-3.0231</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.0548</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equation 3</td>
<td></td>
<td>-0.2013**</td>
<td>-1.2448**</td>
<td></td>
<td></td>
<td>0.2094**</td>
<td>0.71</td>
<td>26</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-2.9614</td>
<td>-6.3479</td>
<td></td>
<td></td>
<td>3.2760</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equation 4</td>
<td>-0.5028**</td>
<td>-0.0145</td>
<td>-0.2477</td>
<td></td>
<td></td>
<td>0.3937*</td>
<td>0.51</td>
<td>68</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-6.1949</td>
<td>-0.3627</td>
<td>-0.7777</td>
<td></td>
<td></td>
<td>1.9282</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Equation 5</td>
<td>-0.5537**</td>
<td>-0.0416</td>
<td>-0.5794**</td>
<td></td>
<td></td>
<td>0.48</td>
<td></td>
<td>68</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-7.0648</td>
<td>-1.0923</td>
<td>-2.1177</td>
<td></td>
<td></td>
<td>0.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population undernourished</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equation 6</td>
<td>0.2753**</td>
<td>-1.1559**</td>
<td>0.37</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.6714</td>
<td>-2.3285</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equation 7</td>
<td>-0.6206**</td>
<td>-1.7407**</td>
<td>0.72</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-10.9198</td>
<td>-4.4308</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>


Note: **Significant at 5% level; *significant at 10% level; N = number of observation; adjusted $R^2 = coefficient of determination which measures the proportion of variability in a data set accounted for by the explanatory variables.
Ending hunger in Asia and the Pacific

Income poverty – usually around −0.1. A simple regression of growth on poverty showed an elasticity of −2.0 (Chatterjee, Mukherjee, and Jha 2010).

Several factors are responsible for the weaker effect of economic growth on hunger and nutrition than on income poverty. First, the poor do not necessarily spend more on food consumption (or on food with high-calorie content, such as food grains) when their incomes increase. In a study of 13 countries, Banerjee and Duflo (2006) found that the extreme poor (i.e., those existing on less than $1 per day) do not put all their income into food. Rural poor households spend 56% to 78% of their budgets on food, and the urban poor spend 56% to 74%. Significant amounts were spent on items such as alcohol, tobacco, and festivals. Behrman and Deolalikar (1989) also have shown that the income elasticity of calorific consumption is very low, although income elasticity of food expenditure is generally much higher. This implies that, as incomes increase, people spend extra income on greater varieties of food but not necessarily on higher-calorie food. A key implication of these results – if these relative income elasticities reflect informed choices – is that the poor have other expenditure compulsions than nutrition. This implies that increasing nutrition will require directly targeting food consumption rather than income. Alternatively, these choices may result from a lack of sufficient information, which can be rectified through better literacy and education.

Second, economic growth in the region, particularly in recent years, has not been inclusive enough. Such inclusiveness – specifically in widening access to learning, literacy, health, and nutrition opportunities – is more critical for hunger. Because hunger affects mainly the ultra poor, growth will not affect hunger unless the incomes of that group can be raised. Lack of inclusiveness is also evident in the insufficient development of rural areas, where deprivations are particularly acute. For example, against an average incidence of 38% of underweight children under age 5 in India in 1999, the average rural incidence was 50% (ESCAP, ADB, and UNDP 2007). In Nepal in 2006, urban incidence was 23% and rural incidence was 41%. Populations in rural areas also suffer more deprivations in primary education, access to clean water, and health services, and are subject to greater gender and other forms of discrimination. Although inclusiveness of income growth (by reducing income inequalities) is critical for poverty reduction, reducing hunger – the causes of which are also the result of non-income-related exclusions – is far more dependent on a fully inclusive growth process.

4 A contrasting and more traditional view comes from Subramanian and Deaton (1996), who estimated an income elasticity of calorific consumption of 0.3 to 0.5 in the Indian state of Maharashtra, which contrasts with the results of Behrman and Deolalikar (1989). The results may arise from the different techniques used. Jha, Gaia, and Sharma (2009b), using an all-Indian sample, found calorie-elasticity values that were significant but were between the values given by Behrman and Deolalikar (1989) and by Subramanian and Deaton (1996).

5 ADB (2007) argued that increasing income inequality in recent years has diminished the effect of growth on poverty. This is likely to be true for hunger as well. The effect of lack of inclusiveness of growth on hunger can be studied by introducing measures of income and non-income inequality as controls in the relationship between hunger and growth and should be a subject of future research.
Food production, availability, and affordability

The availability and affordability of food, particularly for the poor has an important bearing on hunger. As revealed by the cross-country study, lack of access to food is an important determinant of both child hunger and hunger in the general population. Long-term structural factors affecting demand and supply. The demand for food has been rising faster than supply, particularly in Asia and the Pacific. The region’s rapid increase in incomes, due to growth, has resulted in food demand growing faster than the growth of population. This income effect is reinforced by the fact that people with higher incomes demand a larger proportion of protein in their diets, which in turn leads to a demand for grains as animal feed (United Nations Environmental Programme 2009). However, demand management is not a policy option, and actions lie principally on the supply side.

Falling investment in agriculture and public support for new technology research, increased costs of agricultural inputs such as fertilizers, and reduction in the availability of land and water are all cited as causes of a gradual plateauing of agricultural yields (World Bank 2007). Further, diversion of land for biofuels has been aggravating the problem.6 Currently, about 1% of the world’s arable land is used for liquid biofuels production. Addressing the supply-side factors requires more investment in irrigation and farm-to-market roads, greater support for research agencies, crop diversification, improved marketing, policies to encourage larger farms and mechanization, increased market access and trade in agriculture, and greater incentives for food production. Introduction of genetically modified crops holds great promise for ushering in sharp increases in yields, provided that safety concerns can be properly addressed.

The success of the People’s Republic of China (PRC) in agricultural development is due to that country’s prioritization of many of these crucial supply-side interventions (Box 5.2). Needs would differ, however, according to country context. In Viet Nam, for example, which is now a large rice exporting country, institutional reform – particularly land reforms and introduction of market incentives – have played a major role in agricultural development.

Box 5.2 Expansion of food production in the People’s Republic of China

Rapid expansion in food production in the People’s Republic of China (PRC) is one of the major factors responsible for the country’s remarkable performance in reducing poverty and hunger. Agriculture growth reached 6% in the early 1980s, and growth from the mid-1980s to early 2000s remained at the brisk pace of around 4% per year. Several factors have contributed to this.

6 For example, see Abbott, Hurt, and Tyner (2008). In line with the emphasis on the increased use of biofuels, Krugman (2008) suggested that subsidies on biofuel production should be cut, if not removed. For an analysis of the economics of biofuel production, see Science Council Secretariat (2008).
Begun in 1979, the *household responsibility system* dismantled collectives and contracted land to households. It introduced private incentives in farming and is considered the single major factor in raising agricultural productivity in the 1980s. In 2006, further land rights were conferred to contract holders, including rights to inheritance and the transfer and exchange of contracted land.

**Expansion of irrigation** has been another major contributor. The proportion of cultivated areas under irrigation increased from 18% in 1952 to about 50% in 2007.

**Research and development** on new technology has been another major factor. Since the mid-1990s, research and development investments in biotechnology have risen. By the late 1990s, the PRC had invested more in agricultural biotechnology research than all other developing countries combined, and its public spending on agricultural biotechnology was second only to that of the United States. Spending on government-sponsored research and development grew at 5.5% annually between 1995 and 2000, and at 15% thereafter.

Rapid **commercialization of agriculture** also has contributed, aided by communications developments (i.e., roads, telephones and mobiles, and the establishment of internet marketing sites) that reduced transaction costs and accelerated the flow of information and goods. The liberalization of private trading and transport also has boosted development.

**Well-functioning agriculture markets** have played a significant role. Maize prices in four northeastern cities in the PRC track each other closely, and soybean prices in markets in different regions move in almost perfect concert. The share of integrated markets rose from 50% in the early 1990s to virtually 100% in the early 2000s. Rice markets function as well as those in the United States in moving commodities between producing and consuming regions. Horticulture, dairy, and livestock markets, dominated by millions of small traders, operate in fully competitive environments. Crop specialization has followed, and the number of villages specializing in single crops rose from 20% in 1995 to 40% in 2004.

**Pro-agriculture policies** also have helped. Earlier subsidies on procurement, storage, and exports of grains have been replaced by a national program, begun in 2004, that provides direct cash subsidies to farmers and input subsidies for seeds, fertilizers, machinery, and other inputs. Nearly 80% of farming households receive subsidies. In addition, by 2007, farmers were paying almost no taxes.

Source: Huang and Rozelle (2009).

**Effect of climate change.** Long-term climate change and weather variability has obvious implications for agricultural output and food availability, and thus on hunger. Using household data for 2004–2005 in rural India, for example, Jha and Dang (2008) showed that variations in rainfall patterns caused substantial changes in household vulnerability. Even as world agricultural output is likely to drop in absolute terms, the distribution of this decline is highly skewed against countries like India, which are already experiencing a high degree of hunger and undernutrition. Even taking into account the effects of carbon fertilization, India’s plunge in agricultural production is expected to be as high as 29%, against the
region’s expected overall decline of about 7%.\textsuperscript{7} Hence, food scarcity is likely to be exacerbated due to climate change unless remedial action is taken in the form of large-scale investment in new agricultural technology and agricultural research. Furthermore, due to the increasing number of climate-change-related disasters, poor and vulnerable sections of the population will be subjected to more covariate shocks – those that affect the whole community, as distinct from idiosyncratic shocks that affect individual households (Mukherjee 2012). Thus, building communities that are resilient to such shocks represents a key mechanism to eliminate the exacerbation of hunger in the region.

**Short- and medium-term factors.** In addition, cyclical factors may be at play in the short to medium term. For example, after 2006 the world experienced a sharp increase in food prices, which peaked in 2008. Several short- to medium-term factors were responsible for this increase, including declining food stocks; the sudden onset in 2007 of drought in some large grain-producing countries (such as Australia); flooding in Southeast Asia and cold weather in Viet Nam; the decline in the exchange rate of the US dollar against currencies of major Asian rice exporters, which increased dollar prices; and export bans introduced by some major food exporting countries (ADB 2008).

**Global or regional sufficiency versus domestic self-sufficiency.** As a reaction to domestic shortages, countries have taken some extreme steps in recent years. India, for example, has responded to domestic scarcities by banning exports of certain varieties of rice. Several countries have taken similar measures.

However, this raises several issues. The economic argument against striving for domestic self-sufficiency is based on the comparative advantage argument. Regional resources would be put to best use if countries that can produce food cheaply do so, while others import their requirements. This would, however, require international or regional cooperation agreements to facilitate trade in food grains – including agreements on avoidance of trade restrictions – coupled with support (both investments and expertise) to technically deficient countries to increase productivity and bring unutilized land into grain production. It would also require the necessary trade, port, and shipping infrastructure to enable the handling of grains in large quantities. The absence of such facilities and the difficulties associated with international procurement of grains have lent support to the domestic self-sufficiency argument.

Domestic availability of food grains also can be furthered through regional cooperation efforts promoting regional food security by building regional food reserves. The South Asian Association for Regional Cooperation Food Bank, established in 2007, is an example. In 1988, the Food Bank established a

\textsuperscript{7} Accurate projections are difficult to make due to uncertainties relating to the magnitude and geographic distribution of temperature changes, the changes in rainfall patterns and the evaporative demands imposed on crops by warmer weather, and the physiological response of crops to enriched carbon dioxide; and because socioeconomic conditions and policies, such as political and economic stability, technological progress, and poverty reduction, are important determinants of food availability.
Ending hunger in Asia and the Pacific

A similar arrangement has been in existence since 1983 in the Association of Southeast Asian Nations – the ASEAN Emergency Rice Reserve – with a stock of 50,000 tons. This was later augmented to 67,000 tons when Brunei Darussalam and Viet Nam joined the association. Regional agreements to avoid export restrictions to regional destinations and cooperation to build up production capacities also can help (ESCAP, ADB, and UNDP 2010).

Affordable food for the poor

Increases in the price of food, which forms a major part of the budget of the poor, could affect the poor differently depending on whether they are consumers or producers of food. Food prices have been rising steadily since 2004, and although they fell after July 2008, they remain much higher than 2004 levels. This is illustrated through the FAO Food Price Index (Figure 5.2).

Rough estimates suggest that the incidence of hunger has risen in most countries in the region as a result of the rise in food prices. The FAO has estimated that the total undernourished population in the region increased from 566 million in 2004–2006 to 642 million in 2009 (FAO 2009), implying an increase in the incidence of hunger from 16% to 18% during this period.

Tempering food prices is therefore essential to preventing hunger. There are many policy options that can affect food prices, but the need to protect consumers has to be balanced with the need to provide farmers with sufficient incentives to grow food.

Figure 5.2 Food and cereal price indexes.
Source: Food and Agriculture Organization (2010).

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8 Gaiha, Jha, and Kulkarni (2012), using National Sample Survey data for India, showed that intakes of various nutrient are sensitive to the price of food. Hence, stabilizing the relative price of food is central to a program of reducing hunger.
Building food reserves. Building adequate food stocks is essential to guarding against sudden shortfalls and price volatility. But as Sen (2003) pointed out, “adequate” should not mean “excessive.” Excessive stockholding raises food prices and hurts poor consumers, benefiting only the commercial farming lobby.

Governments in Asia and the Pacific have traditionally held national stocks of rice and other staple foods both as insurance against shortfalls and as support for grain prices. India, for example, had built up large food reserves over the years, estimated at 65 million tons of rice and wheat in 2011 (Government of India 2011), which helped prevent millions from falling into hunger due to the failed monsoon of 2009. In times of shortage, food held in reserve is released to those in need of food assistance. Reserves are also used to create employment for the needy through food-for-work programs in Bangladesh, Cambodia, and the Lao PDR. India is also using its food stocks to provide midday meals to schoolchildren. The PRC set up a grains reserve system in 1990 and built up stocks of 150 million to 200 million tons by 2009, equivalent to about 30% to 40% of the country’s annual grain consumption or double the 17% to 18% level regarded by the FAO as a safe minimum (People’s Daily Online 2009). The reserves helped the PRC deal with threats of hunger in 2007, which it had not been able to prevent during the famine of 1959–1961 that, by some estimates, claimed up to 30 million lives (Brown 1995).

Efficient food markets. In addition to keeping adequate reserves, improving food distribution within a country is critical. A rise in food prices particularly affects the urban poor and those in the rural areas who are not growers but are net purchasers of food. Thus, improving food markets requires policies to build up infrastructure and logistics capability. Development of road and rail infrastructure (and marine infrastructure, in the case of archipelagic countries) is needed to connect rural and remote areas with important economic and transport hubs, thus allowing easy, economical transport of food items to these areas. Ancillary infrastructure facilities, such as refrigeration to prevent spoilage, are also necessary.

Many countries with insufficiently developed infrastructure, particularly geographically large countries, can face considerable variability in food prices. Despite low average prices, large price dispersions can make food unaffordable to the poor (Box 5.3). Necessary policy responses include development of competitive yet equitable market mechanisms that facilitate food trade; improvement of transport, storage, and other necessary infrastructure; encouragement of the private sector to play a bigger role in building more efficient food markets; and a well-targeted public distribution system with subsidies to provide food to the poor at affordable prices.

Box 5.3 Subnational variation in food prices

The variation in the prices of essential food items within a country can make food unaffordable to poorer groups in consumption centers where food prices are high. Unlike other nonessential commodities, even temporary spikes in food prices can cause distress to the poor. Therefore, food price variability must be minimized.
In some developing countries, significant variation in food prices within countries exists, resulting from inadequate food distribution infrastructure and institutions. The price information on rice, for example, shows significant variations within India and Indonesia. In India, the average monthly price of rice in the country for October 2009 was recorded as Rs20.56 per kilogram, but the price across 78 consumption centers ranged from Rs10.34 to Rs30.55 per kilogram, with a coefficient of variation of 26.16%. In Indonesia, the coefficient of variation of rice prices was 10.5% across 30 centers of consumption in June 2008. On the other hand, in the Philippines – despite archipelagic transport bottlenecks – the coefficient of variation was around 7.7% across 80 consumption centers in October 2009.

Sources: Badan Pusat Statistik Republik Indonesia (n.d.); Government of India, Labour Bureau (n.d.); and National Statistical Coordination Board (Philippines) (n.d.).

Preventing destabilizing speculation. Both domestically and internationally, prevention of speculation is an important measure to stop artificial increase and volatility in food prices. There is evidence, for example, that excessive trading in grains futures (excessive relative to the normal needs of grain trading) played a role in artificially raising food prices in 2008 (Jha 2008). After the subprime mortgage problem emerged in August 2007, investors began moving away from stock markets and toward commodity markets such as food grains, particularly as food is inelastically demanded. This resulted in sharp price increases in grains futures markets, which also led to a feedback effect on food grain prices. Figure 5.3

![Figure 5.3 Current and future prices of rice.](image)

Source: International Business Times (n.d.).

Note: Contemporary prices (left side) and futures prices (right side) of Thai 100% B grade rice.
plots futures prices of Thai 100% B grade rice against the current price during 2008. This highlights the need for greater regulation of speculative activity in food grains.

**Public distribution and food safety nets.** Although the price of food must be kept affordable for consumers in general, it must be particularly ensured that vulnerable groups such as the poor, children, and mothers have adequate access to food. Many developing countries in the region have therefore attempted to provide targeted food subsidies to the poor, such as India’s public distribution system, which recently has undertaken a further initiative in this regard through the Right to Food bill intended to provide 25 kilograms of food grains to all families below the poverty line at highly subsidized prices. However, managing public distribution of food to the poor is a huge administrative challenge and has suffered from inefficiencies, leakages, and corruption (Saxena 2011).

Such measures must be supplemented by efforts to raise the incomes of the poor and vulnerable, such as through food-for-work and employment guarantee programs, and cash transfers to the poorest, and by direct feeding programs for the weakest groups. Bangladesh’s Food-for-Work programs (Box 5.4) and India’s National Rural Employment guarantee schemes are examples.

### Box 5.4 Bangladesh – Food-for-Work Programs

Bangladesh has had several safety net programs, such as the Food-for-Work Program, which provides in-kind wages to rural laborers for labor-intensive public works, such as roads and irrigation. Likewise, the Vulnerable Groups Development Program provides food to the poorest rural women by engaging them in development works.

Evaluation studies indicate that these programs have predominantly benefited the poor and improved their nutrition tangibly. The Food-for-Work Program has led to increased food consumption and calorie intake by households, and has improved the nutrition of the population in program areas. Evaluations of the Vulnerable Groups Development Program show that in-kind transfers of wheat increased wheat consumption dramatically, by 70% for program households compared to 13.9% for its cash-based equivalent transfers. However, a Canadian International Development Authority (2006) evaluation found that cash transfer programs are cheaper to implement. Nonetheless, the evaluation found that the Vulnerable Groups Development Program positively affected the status of women within the community, through development of their self-discipline, interpersonal communications, and caretaking skills. It also found that increased household access to food is a necessary but not sufficient condition to improve the nutritional status of its most vulnerable members, preschool-age children. Health services, improved sanitation, a clean water supply, and better child-care practices also are needed for improvements in nutritional status when additional food is provided.

Sources: Canadian International Development Authority (2006); Kabeer, Sharma, and Upendranadh. (2006).

**Targeted child nutrition and feeding programs.** Children are a highly vulnerable group susceptible to hunger. Preventing hunger and malnutrition among...
Ending hunger in Asia and the Pacific 101

children not only is intrinsically desirable but also immensely beneficial to society and a country’s future productivity and growth. Many countries, including India, which faces one of the biggest challenges in this regard, have therefore introduced child nutrition and feeding programs. India’s interventions in this area include the Integrated Child Health Services Scheme and the National Midday Meal Scheme for primary schoolchildren (Box 5.5). Better targeting, community involvement, and adopting a multidisciplinary approach are all aimed to help improve the effectiveness of the Integrated Child Health Services Scheme. The National Midday Meal Scheme has demonstrated benefits for schoolchildren; however, the problem of preschool-age child malnutrition remains a challenge and the adverse impact of lack of nutrition in early childhood on mental and physical development of children cannot be adequately corrected by programs for older children.

Box 5.5 Integrated child development services and national midday meal schemes in India

A 2006 World Bank study by Grangnolati et al. (2006) highlighted some basic characteristics of child malnutrition in India: it is higher in rural than in urban areas, among female children than among male children, among lower castes and tribal households than among the general population, and more prevalent among the poor than in the general population. About 60% of malnourished children were from the poorest wealth quintile. Six states (Bihar, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, and Uttar Pradesh) accounted for the bulk of underweight children, and one-quarter of all districts accounted for more than half. Micronutrient deficiency also was widespread, with 75% of preschool-age children suffering from iron deficiency anemia and 57% from vitamin A deficiency. Iodine deficiency was endemic in 85% of districts. Although progress has been made in reducing child malnutrition, it has been far slower in India than in other countries experiencing similar economic growth. Clearly, economic growth alone cannot be relied upon to solve this problem.

Grangnolati et al. (2006) found several weaknesses in the Integrated Child Development Services Scheme. First, although it was designed to address the multidimensional causes of undernutrition, the scheme focused predominantly on supplementary feeding and preschool education for children 4 to 6 years old, failing to address children under the age of 3 (who suffer most from malnutrition) or to counsel parents on better feeding and child-care practices. More attention to disease control and prevention activities, education to improve domestic child-care and feeding practices, and micronutrient supplementation are needed. These will require restoring the multidisciplinary approach of the scheme as well as integrating activities into the health sector and the Reproductive and Child Health Program. Second, the program must better target the most vulnerable age groups (children under age 3 and pregnant women) and the states and districts with the highest prevalence of malnutrition. Similarly, supplementary feeding activities must be aimed at those who need it most. Third, greater community involvement is required to augment resources and improve the quality of service delivery and accountability. Finally, monitoring and evaluation activities need strengthening.

In 1995, the National Midday Meal Scheme was introduced, but it did not become a universal feeding program for primary school-age children until a 2003 Supreme Court ruling. Under this scheme, all children in public schools receive a cooked meal consisting of no fewer than 300 calories and 8 to 12 grams of protein.
Surveys quoted by Singh (2008) confirmed the benefits of this scheme, including increased enrollment rates, especially benefiting girls and lower castes, and reduced calorie and protein deficiency. Studying the scheme’s impact in Andhra Pradesh, Singh also found long-term improvements in cognitive skills; however, the scheme did not have strong long-term nutritional effects on body weight and height, except among younger children affected by drought.

Sources: Gragnolati et al. (2006) and Singh (2008).

Hunger and health

Public health interventions

Tackling child malnutrition requires a multidisciplinary approach, with health measures for children and mothers as important interventions. This was confirmed in the cross-country study (Table 5.3), which showed that child immunization and access to sanitation are important factors affecting child hunger. This was also the conclusion of a global study by REACH (2007), which argued that child hunger is caused mainly by inadequate access to food, including nutrients; insufficient maternal and child care; and lack of essential health services. The report suggested measures such as local and homestead food production; nutrition education; micronutrient fortification and supplementation; provision of safety nets to vulnerable households; household water treatment; improved hygienic practices, particularly hand washing with soap; parasite control (e.g., deworming and use of bed nets in malaria-endemic areas); special feeding programs; and maternal care, maternal nutrition, and breast-feeding. The study also emphasized the need to ensure national food security; disease prevention and control (e.g., improved acute respiratory infection and diarrhea treatment, and immunization programs); provision of clean water and improved hygiene; and improved reproductive health, particularly safe motherhood and birth spacing.

Good hygiene and sanitation and provision of clean water, though critical in the context of child hunger, are equally important in the context of undernourishment of the general population. Although hygiene and sanitation are crucial to disease prevention, access to clean, potable water is also critical for improving nourishment. Contaminated water may make consumption of even nutritious food ineffective, causing disease and aggravating undernourishment.

Hidden hunger: micronutrients and nutrition interventions

Increasing food consumption alone is insufficient to reduce malnourishment, which also can be caused by lack of essential micronutrients (see Chatterjee, Prakash, and Tabor (2004)). A high prevalence of micronutrient deficiencies among women and children endangers health, shortens life expectancy, retards the cognitive potential of children, and reduces productivity (UNICEF and Micronutrient Initiative [MI] 2004). The links between access to essential vitamins and minerals, health outcomes, educational achievement, and productivity are now well understood. What is now referred to as “hidden hunger,” or insufficient consumption
of micronutrients, affects nearly 1.5 billion people in the region, representing three-quarters of all those suffering globally from micronutrient deficiency.

Although the poor suffer most from micronutrient deficiency, it also occurs within the nonpoor. This is evident from positive and weak to moderately strong correlations between $1.25-$per-day poverty incidence and indicators of micronutrient deficiency (Chatterjee, Mukherjee, and Jha 2010). However, some correlations, such as for iodine deficiency (0.33), are not very strong. This indicates the complexity of the interaction between poverty and hunger when nutrition quality is considered.

The most serious micronutrient problem is iron deficiency anemia. In Asia and the Pacific, 39% of all pregnant women, one-third of women of reproductive age, and 49% of preschool children suffer from deficiency anemia (MI and Canadian International Development Agency 2009; United Nations Population Division 2009). This contributes to high maternal mortality, impaired intellectual development, decreased physical productivity, reduced immunity, low school enrollment rates, and high dropout rates. Early ADB studies estimated the national income loss in Bangladesh from iron deficiency anemia alone at nearly 2% of gross domestic product (ADB 2004; Hunt 2001), which gives an indication of the order of magnitude of losses involved.

Iodine is another vital micronutrient and its absence can cause preventable mental retardation. From 2000 to 2006, about 21 million children in Asia were born unprotected from iodine deficiency annually (UNICEF 2008). As of 2004, in countries with a total rate of goiter (caused by iodine deficiency) above 10% – which includes most countries in the region – learning capacity is lowered by 10% to 15% (UNICEF and MI 2004). Salt iodization prevents this, but there is considerable variability among countries in its availability.

Vitamin A deficiency contributes to impaired vision and blindness, affecting one-quarter of the children within the region. Reported prevalence as of 2007 ranges from a low of 9.3% in the PRC to a high of 64.5% in Afghanistan. India has the largest absolute number of vitamin A-deficient children in the world and has yet to reach 62% of its children under age 5 with supplementary vitamin A (MI and Canadian International Development Agency 2009; United Nations Population Division 2008). Efforts to control vitamin A deficiency through food fortification and supplementation are being made, and children in most countries in the region are receiving vitamin A supplements, although supplementation dosages may be insufficient (UNICEF and MI 2004).

Gender and social discrimination and hunger

Social discriminations relating to gender, caste, ethnicity, or minority status have quite a significant effect on hunger outcomes.

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9 Protection from iodine deficiency is measured by the percentage of households consuming adequately iodized salt. Asia here refers only to South Asian and East Asian and Pacific countries.
**Gender**

Table 5.3 includes a regression in which the effect of gender empowerment is explored. It shows that the MDG indicator of gender equality in tertiary education, a proxy for women’s empowerment, affects child hunger. Continuation of seven kinds of gender discrimination (Sen 2001) has been found to perpetuate malnutrition and hunger. Two-thirds of the region’s poor are women, living mainly in rural areas, and the proportion of female-headed households range from 20% to 40%. Given disparities in education, health care, economic and political participation, and income, women and girls are most vulnerable to deprivations such as hunger.

The manner in which food is distributed within the household also subjects girls and women to a greater risk of hunger, regardless of the level of family income or food access. In many parts of Asia and the Pacific, and in particular in the poorer regions of South Asia, given the intrafamilial distribution of power, men and boys are given priority in the household distribution of food. This partly explains why girls and women have inferior nutrition and health outcomes, even in families that have sufficient income and food access (UNICEF East Asia and Pacific Regional Office 2003). An extensive survey of dietary discrimination found in the late 1990s that women in Bangladesh, India, and Pakistan have lower status in terms of dietary discrimination than women in other parts of Asia, and also compared to most other countries of the world (Hunt and Quibria 1999). Such discrimination has continued (see, for example, Mehrotra 2006). This contributes to the perpetuation of the low status of women from one generation to the next, via preferences for boys, less food for girls, and lower investment in female human capital. The result is low birth weights, causing undernutrition to be passed from generation to generation.

**Caste and ethnicity**

Complex variations in ethnicity, caste, language, and religion influence access to schooling, employment, health care, and natural resources in several countries. In some countries, the dominant ethnic, caste, religious, or social groups are in positions of power, have administrative and political connections, possess educational and cultural advantages, and unscrupulously capture public resources. People who are socially excluded from progress tend to suffer multiple disadvantages, including a higher poverty incidence and greater malnutrition. In India, for example, lower-caste children disproportionately suffer from child malnutrition and infant and child mortality (Thorat 2008). This is also true in other parts of South Asia. For example, the United Nations Development Programme (2005) reported that the lowest caste group in Nepal earns less than half of what the upper caste groups earn, and caste members’ life expectancy is 13 years lower.

**Population pressures and hunger**

The cross-country regressions (Table 5.3) found that population size and population growth play a role in aggravating child hunger. This finding has been
corroborated by several studies, including the REACH (2007) study, which advocated better access to reproductive health services and birth spacing. High population growth implies larger family sizes, resulting in inadequate food for individual children. High frequency of childbirths and inadequate birth spacing are also detrimental to the health and nutrition of mothers, which in turn affects child birth weight and capacity to breast-feed.

**Other factors: literacy**

Although the cross-country analysis did not reveal an explicit relationship between hunger and literacy, there is considerable evidence in the literature about this association. Literacy is essential for improved nutrition because it increases knowledge of categories of food that improve nutrition, eating habits, and health and sanitation practices. As discussed, increased incomes do not necessarily lead to increased consumption of food. Part of the reason could be inadequate knowledge about better diets available within a household’s budget constraints.

Many studies have shown that literacy and education play a critical role in alleviating child hunger. Using the latest (2005) demographic and health surveys for Cambodia, for example, Miller and Rodgers (2009) confirmed the traditional view that a mother’s education is important for the nutritional status of her children, reducing the risk of low birth size and stunting, a measure of long-term nutritional status. The knowledge and information within a community, which increases through literacy and education, also helps modify behavior toward nutrition outcomes and thus plays a critical role. Moestue and Huttly (2007), in a study of Andhra Pradesh in India and of Viet Nam, found that child nutrition is positively associated with the literacy of mothers, fathers, and grandmothers, and with the overall proportion of literate mothers in the community.

Although other measures – such as employing conditional cash transfers to induce improved nutrition – can be used in the short term to change household behaviors toward better nutrition practices, improving literacy and education is a more sustainable intervention. Thus, this should form an essential part of the strategy to reduce hunger.

**Conclusion**

As this short review suggests, hunger, including child hunger, remains a major challenge in Asia. It will not go away simply through fostering economic growth.

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10 Conditional cash transfers could be used to ensure minimum dietary intakes. The essential foundation of such a program is cash transfers to households, conditioned on their participation in health, nutrition, and education services. Aguero, Carter, and Woolard (2007) demonstrated that, in South Africa, large amounts of cash support for children early in their lives had a favorable effect on nutritional outcome measures such as height for age. Improving behavioral responses also can play an important role in improving nutritional outcomes. In Madagascar, a large community-based nutritional program (SEECALINE) induced sufficient behavioral changes to cause strong improvements in the nutritional outcomes of children under age 5 (Galasso and Umapathi 2007).
More inclusive growth, backed up with determined action by the state and non-state partners simultaneously on several fronts, is needed. With Asia’s growing prosperity, it should be possible to make the right to safe and nutritious food – as demanded by many in this region – a legally enforceable human right so that this major deprivation is finally removed from the region.

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11 ADB recognizes China by the name People’s Republic of China.
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6 The quality of primary education
Issues and challenges for Asia

Sheldon Shaeffer

The evolution of “quality” and the challenges facing basic education in Asia

The importance of quality in education

Only a few years ago, the list of challenges facing the world included the rather distant dangers of globalization and the somewhat more immediate threat of avian flu. Now the list, growing longer more quickly than expected, includes end-of-the-world-as-we-know-it scenarios of financial meltdown, climate change and global warming, terrorism, increasing gaps between the rich and the poor, and violent conflicts over dwindling resources such as water, food, and energy.

The problem is that as the list of challenges grows, so too does the expectation that education will somehow come to the rescue and save the world from itself. More and better education, it is said, will bring the world to its senses.

This relationship is implicit in the Millennium Development Goals (MDGs), which imply that ensuring that all children by 2015 complete a full course of primary schooling will lead to the achievement of the other goals related to poverty, hunger, gender equality, health and HIV/AIDS, environmental sustainability, and so on.

This is too simplistic, of course. Education by itself cannot perform these miracles. But more and better education is certainly necessary, even if it is not sufficient to solve the world’s problems and accelerate progress toward achievement of the MDGs. And education becomes more powerful to the extent that it is universally achieved – in other words, education for all, not education for almost all.

But the challenges to education are equally daunting. Among others, they include:

(i) the decentralization of education governance, leading to new accountabilities among the various levels of education systems;
(ii) a rapidly expanding diversification of programs at all levels of the system, each demanding more specialized teachers and materials;
(iii) the debate over whether education should promote globalization and the standardization that often accompanies it or localization and its preservation of cultural identity and diversity;

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1 Former director, Regional Bureau for Education in Asia and the Pacific, United Nations Educational, Scientific and Cultural Organization.
2 Some of this introduction is adapted from ADB (2010).
(iv) the need to move from an *instrumental* view of education – skills training for greater productivity – to a more *humanistic* view of learning aimed at the development of a complete person who is creative, adaptable to change in an uncertain future, and able to live peacefully with others in an increasingly conflicted world;

(v) the participation of learners of diverse backgrounds and identities, with different values and ways of thinking and acting, and with greater independence and more enterprising minds;

(vi) the congested curricula of many education systems, especially in the early grades, and the forced mastery of reading, writing, and arithmetic skills – and English – at the expense of allowing children to develop these skills at their own speed, using their own unique styles of learning; and

(vii) the increasing evidence that, despite the best intentions, higher enrollments, greater investment, and steady progress toward quantitative global targets, more and more education systems and schools are simply failing to teach their learners what they need – and want – to learn.

This last point is in many ways as relevant to Asia as it is to the rest of the world, despite the common impression that Asia has performed so well in this area, including in regard to the MDGs for education. Indeed, the access/enrollment data are impressive. In 2009, net primary school enrollment in East Asia, Southeast Asia, and the Pacific was 95%, and it was 91% in South Asia and West Asia (up 12% from a decade earlier). But these figures mask continuing problems with quality. If the percentage of children reaching the last grade of the primary cycle is taken as a proxy for quality, then serious disparities exist: 45% fail to complete this last grade in Cambodia, 40% fail in Pakistan, 33% fail in the Lao People’s Democratic Republic (Lao PDR) and Bangladesh, almost 32% fail in India, 25% fail in the Philippines, and 20% fail in Indonesia (ESCAP 2011). And this data does not take into account the even greater failure rates found in disadvantaged regions within countries, even in those countries with a national net enrollment rate of 95%.

Such failure to teach children what they need to learn or to enable them to complete a basic cycle of education makes quality the crux of the issue. If education systems cannot and do not educate all children well (or at least educate more children better), the graduates of their schools will simply not be able to manage the challenges listed previously – let alone those that the world has not yet begun to imagine.

**Resolving the access and quality debate**

The common assumption of the 1970s and 1980s was that if a school were built, children would come. Many schools were therefore constructed – thousands in

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3 The net enrollment rate in primary education is the number of children of official primary school age who are enrolled in primary education as a percentage of the total number of children of the official school age.
Indonesia, for example, through a massive school-building program – but many children still did not enroll. The more sophisticated perspective arising from the 1990 Jomtien World Conference on Education for All (EFA) recognized that, in order to be attractive, a school must be of good quality and locally relevant – and then, certainly, children would come. This did lead to higher enrollments, but the last 3% (or 5% or 10%) still did not enroll – a number often ignored by ministries of education focusing on the net enrollment rate rather than on the absolute number of children not in school.

The view after the 2000 World Education Forum held in Dakar, and reinforced by the assessment of EFA implemented in many countries around 2005–2007, changed the focus again. Now, education systems and schools must be genuinely inclusive, more proactively identifying children not in school and getting them both enrolled (providing access) and learning (providing quality).

Because of this marriage of access and quality, the notion of “inclusion” requires more discussion. The original focus of inclusive education was on education for special needs – the needs of learners with disabilities. It replaced earlier terms such as mainstreaming and integration, which often led to children with disabilities being physically included in a classroom but pedagogically excluded from the learning that occurred within it; children had to adapt to the school’s environment, curriculum, methods, and rules or they failed. Inclusive education – ensuring that the education system and school adapt themselves to the learners rather than the opposite – became the preferred term with regard to fulfilling the special needs of learners with disabilities.

Over time, however, another redefinition occurred and a wider range of special needs was identified as obstacles to participation and learning. Governments and development agencies alike realized that expanding the number of schools – and even improving their quality – was not going to attract a certain percentage of children who remained stubbornly out of the system or who entered it and quickly left. Gender, health and nutrition status, language, culture, geographic location, religion, and economic status were all clearly barriers to the achievement of EFA. Broadening inclusion beyond disabilities to cover all barriers to education was therefore seen as a way to profoundly transform education systems and learning environments, to get them to welcome and respond to difference and diversity, and to genuinely achieve education – of good quality – for all.

Thus, an inclusive system or school is not one that separately responds to the needs of discrete categories of learners (e.g., girls with one program, children with disabilities with another) but rather one that, through its curriculum, pedagogy, facilities, and services, responds to the diverse, specific, and unique characteristics of each learner, especially those at risk of marginalization and underachievement. In reality, of course, this is also a definition of good-quality education.4

4 Another definitional issue concerns the use of terms such as exclusion, marginalization (the term used in the UNESCO [2010] EFA Global Monitoring Report), hard-to-reach, disadvantaged, and so forth. All of these terms have somewhat different connotations, but exclusion and inclusion are used
This notion of inclusion – both inclusion in the classroom and inclusion in learning – puts an end to a forced choice between quantity and quality and the debate over which should come first. In other words, is it better to get all children into school, whatever the effect on quality, and slowly raise the standards, or to focus on better quality for a smaller group of children who are more likely to succeed and become the leaders of tomorrow?

The answer proposed by a policy of inclusive education is that education systems and schools must do more to actively look for and enroll children who are excluded from the system, whether due to gender, disability, poverty, remoteness, language and ethnicity, and/or a host of other barriers to education. But after these children are enrolled, systems and schools also must do more to ensure that learners are provided with an education of some basic standard (e.g., literacy, numeracy, and the ability and desire to continue to learn) and must demonstrate greater sensitivity to the needs and learning styles of each learner, more concern for getting the fundamentals of learning “right,” and greater attention to the often difficult transition points from one level of schooling to the next.

**From inputs and outputs to a multidimensional definition of quality**

The evolution of the definition of quality in education has been complex and nonlinear. But, in simplified terms, early definitions of quality focused on inputs and outputs. More schools and classrooms and more books and teachers were thought to lead inevitably not only to higher enrollments but also to higher completion rates and greater achievement. When this did not always lead to the expected results, attention turned to the “black box” in the middle – the quality of the teachers, the teaching–learning process, and the curriculum it was meant to deliver. Efforts also were focused on the “quality” of the children who entered school – were they healthy, well nourished, motivated to learn, and ready for school?

Still later, the school climate or environment around the black box also became of interest. Was the school a physically healthy and psychosocially friendly and protective place to be – a sanctuary for children rather than a place with poor sanitation and unhealthy facilities, corporal punishment, peer bullying, and teacher indifference?

Even later, the larger environment of parents, families, and communities was included in the definition. Are families willing and able to help make the school better and help their children learn more? Is the school willing and able to accept their involvement? Is the larger community supportive of the school? Is the school sensitive to and supportive of the local community and its culture(s)?

Most recently, the nature of school governance has become important. Do individual schools, through a collaborative partnership of school staff, parents, and the community, develop effective school-based management mechanisms and here given their utility in describing learners both excluded from schooling and, when in school, from learning.
procedures, including self-assessments of school conditions (inputs, processes, and outcomes) and forward-looking and innovative school improvement plans?

This more comprehensive definition of quality was at the core of the Dakar Framework for Action for EFA of 2000 (United Nations Educational, Scientific and Cultural Organization [UNESCO] 2000). It contained both a target and a strategy on quality: Target 6 was to improve all aspects of the quality of education for all, and Strategy 8 was to create safe, healthy, inclusive, and equitably resourced educational environments with clearly defined levels of achievement for all. The framework further promoted a truly comprehensive and multidimensional definition, including the characteristics of the major actors (students, teachers, parents, and the community); inputs (books, learning materials, and facilities); processes (teaching and learning, school governance, monitoring and evaluation, and financing); environments (of the classroom, the school, and the surrounding community); and, ultimately, outcomes (enrollment, retention, completion, and achievement).

The state of education in Asia

Enrollment, efficiency, and financing. During the past two decades, Asia has made remarkable strides in education enrollment, especially at the primary level. Although East Asia (including Southeast Asia) and the Pacific already had a high net enrollment rate of 94% in 1999, which increased slightly to 95% by 2009, South and West Asia made major strides – from a net enrollment rate of 79% in 1999 to 91% in 2009. Nonetheless, given the size of the populations in these two regions, the number of out-of-school children of school age was still very high in 2009. For primary school, over 8 million children were out of school in East Asia and the Pacific and almost twice that number were out of school in South and West Asia (UNESCO Institute for Statistics 2011).

Measures of education system efficiency also show major disparities. The large number of children enrolling late (resulting in a range of ages in Grade 1), repeating grades, and dropping out (or being “pushed out”) leads to wastage, extra costs, and a decrease in the system’s efficiency. The survival rate to the last grade of primary school is 99% in the Republic of Korea and Singapore but as low as 54% in Cambodia, 60% in Pakistan, 62% in Nepal, and 67% in the Lao PDR and Bangladesh. And the percentage of repetition is over 10% in Bangladesh, Cambodia, the Lao PDR, and Nepal, and 20% in Timor-Leste (UNESCO Institute for Statistics 2011).

Transition from primary school to lower secondary school also is a major measure of system efficiency and is a time when many children fail, usually due to either academic qualifications as determined by school entrance examinations or the higher cost (and farther distance from home) of secondary schools. The UNESCO Institute for Statistics measures the “effective transition rate,” which reflects the estimated transition of students from one education level to the next. With the exception of sub-Saharan Africa, Asia presents the greatest gap between countries, with a 100% effective transition rate in Republic of Korea but only
The quality of primary education

74% in Myanmar. Bhutan reaches 98%, whereas Pakistan achieves only 75% (UNESCO Institute for Statistics 2011).

Finally, wide disparities exist in education financing, whether measured as the total public expenditure on education as a percentage of gross domestic product or as a percentage of total government expenditures. Nepal’s figures are quite high – 4.6% of gross domestic product (versus a recommended 6%) and 19.5% of total expenditures (versus a recommended 20%), whereas Bangladesh and Pakistan are lower, at less than 3% and 15%. Malaysia, Thailand, Vanuatu, and Viet Nam are over 4% of gross domestic product and 17% of total expenditures, whereas Cambodia and the Lao PDR are below 3% and 15%, with Cambodia at only 1.6% of gross domestic product (UNESCO Institute for Statistics 2011). These calculations are complicated and do not always reveal the true picture of financing (excluding, for example, private sources of finance), but they do demonstrate in broad strokes the failure of many governments to give adequate priority to the financing of education.

Evidence from standardized tests of cognitive skills. As more attention has been paid to trying to account for and enhance the various components of quality – and as ministries of education have focused on achieving (and publicizing) higher net enrollment rates – both the net nonenrollment rates and the actual and ultimate outcomes of the education system have been neglected. The assumption appeared to be that if all the other components were “right,” children would learn what they needed to learn. Moreover, processes of automatic promotion and less-than-rigorous (and sometimes even corrupt) national examinations at critical transitions in a student’s life produced seemingly satisfactory results; students were progressing through the system and learning what the examination questions asked.

In the past several years, however, evidence has been accumulating about the absolute levels of learning (or not learning) that these components of quality have yielded. This began with adult literacy assessments when random samples of literacy performance began to show that the percentage of literates was often 20% to 25% lower than the official data showed, and that wider-than-expected disparities existed between men and women and between majority and minority language speakers.

During the past several years, the same kind of rigorous and often unofficial assessments have been applied to students in primary school, especially in the early grades. These have looked both at issues of access (who is and who is not in school) and quality (what children are actually learning) and have been done by nongovernment organizations such as Uwezo in East Africa, Room to Read in Nepal, and Pratham in India; through development agency initiatives, in conjunction with government; and by ministries of education. As a result of these efforts, ministries have begun to understand the need not only for end-of-level national examinations but also for more in-depth assessments, through representative sampling, of actual performance in earlier grades. Such assessments may examine, for instance, the literacy and numeracy of a Grade 3 pupil or the grade level at which the average fifth-grade pupil in Country X reads and calculates.
The results have often been devastatingly bad with regard to access. For example:

(i) In 2009, 52% of primary school-age children in South and West Asia who were not in school were expected never to enroll in school and another 40% had dropped out. In East Asia and the Pacific, 29% were expected never to enroll and 13% had dropped out (UNESCO Institute for Statistics 2011).

(ii) The gap between the richest and the poorest 20% of the population, in terms of number of years of education, is 6.9 years in India, 6.5 years in Pakistan, and 4.4 years in Bangladesh. In the Philippines, “education poverty” rates among the poor are four times the national average (UNESCO 2010).\(^5\)

Even more striking are results from surveys examining the quality of learning:

(i) In rural Pakistan, only two-thirds of Grade 3 students could subtract single-digit numbers. In rural India, just 28% of Grade 3 students could subtract two-digit numbers, and only one-third could tell the time (UNESCO 2010).

(ii) In one survey in India, nearly 60% of children in Grade 4 could not read a simple story at Grade 2 level, and 76% could not do simple division (Banerjee and Duflo 2010).

(iii) Literacy rates of native speakers of the national language compared to speakers of other languages show great disparities – the literacy rate was 94% among Kinh majority speakers in Viet Nam and 72% for minorities, and 90% of the Hmong ethnic group in Viet Nam are in the bottom 20% of the national distribution for years in school (UNESCO 2010).

(iv) Early Grade Reading Assessments, organized by the United States Agency for International Development and Save the Children, employing different instruments and not using representative samples, found that 21% of pupils in Afghanistan who finished Grade 2 could not read in Dari or Pashtu, 79% of midyear Grade 2 pupils in Nepal could not read in Nepali, 91% of pupils at the end of Grade 2 in Pakistan could not read in Pashtu (66% could not read in Urdu), and 30% of midyear Grade 3 pupils in Mindanao, Philippines, could not read in English (24% could not read in Filipino) (Gove and Cvelich 2010).

(v) In Timor-Leste, more than 70% of students at the end of Grade 1 could not read a single word of the simple text passage they were asked to read, 40% of children were unable to read a single word at the end of Grade 2, and the share of children scoring zero was still nearly 20% at the end of Grade 3 (Amorim, Stevens, and Gacougnolle 2010).

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\(^5\) The “education poverty” rate is a new Global Monitoring Report (UNESCO 2010) statistic indicating the percentage of young adults aged 17 to 22 with fewer than 4 years of education. “Extreme education poverty” indicates fewer than 2 years of education. These statistics are included in the new Global Monitoring Report Deprivation and Marginalization data set.
These results demonstrate that major challenges remain in Asia with regard to quality and access (especially among the most excluded groups in society). Many groups and individuals remain excluded from education, even in countries with a high net enrollment rate, either never attending school or being “pushed out” by systems and schools that cannot adapt to their particular needs and learning styles. In addition, physical facilities and teaching/learning materials are often in short supply and of poor quality; curricula are outdated; teaching remains an underpaid and frequently last-choice option for employment, with limited chances for professional development or career advancement; and national and local governments do not provide the kind of resources required to make things better.

**Recent directions in the improvement of quality**

Immense educational development challenges persist, therefore, as they have for decades. However, several directions for improvement have emerged – or have been reinforced with more evidence – that go beyond the usual solution of ever more inputs and higher paper qualifications (and sometimes higher pay) for teachers. These include:

(i) accepting the need to begin educating from birth, through well designed and good-quality early childhood care and development programs;
(ii) laying the foundations for successful learning by getting the child ready for the school and ensuring a smooth transition into primary school;
(iii) ensuring success in the early grades – making the school ready for the child; and
(iv) developing inclusive, rights-based, child-friendly schools.

**Early childhood care and development: beginning from birth**

**Early childhood care and development and the quality of education**

In 1999, the first draft of the Jomtien World Declaration on Education for All asserted that learning begins when children enter primary school; however, arguments from the field of early childhood care and development (ECCD), which was still young as an organized constituency, were convincing enough to revise that assertion and state what we now regard as self-evident – that “learning begins at birth.” There have been major developments in ECCD over the past decade that make it both a powerful component of a quality education system and a determinant of good-quality learning.6

The first development is the increasingly accepted definition of early childhood as the period from birth to 8 years of age, thus including the often-difficult transition from the home or preschool to primary school and the need for success in the

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6 This field of early childhood care and development is often called by other names, such as early childhood development (ECD) or early childhood care and education (ECCE).
early years of school. In this context, ECCD is both an outcome, defining a child’s status as being “physically healthy, mentally alert, emotionally sound, socially competent, and ready to learn” (United Nations Children’s Fund [UNICEF] 2010), and a process, covering the period from pregnancy through the transition into primary school.

Another development is the realization, based on evidence from neuroscience, genetics, and population studies, that early childhood is the most important developmental phase in the human life span and that preventive early interventions yield higher returns than later remedial services. ECCD interventions, in other words, have sustainable, long-term effects on the development of human capital, social cohesion, and economic success.

The growing number of vulnerable children leads to intergenerational consequences such as higher rates of fertility, infant mortality, and unemployment and lower levels of education, health, and nutrition. It is these most disadvantaged children – impoverished, members of ethnic minorities, girls, and those with disabilities – who experience the most dramatic gains from ECCD programs, but it is exactly these children who are least likely to be enrolled. UNICEF (2012) surveys have shown, for example, that around 80% of 3- and 4-year-olds from families in the richest quintile of the population in selected low- and middle-income countries in East Asia and the Pacific attend early childhood education programs, compared to less than 40% for the lowest income quintile. In the Lao PDR, almost 45% of 3- and 4-year-olds from families in the richest quintile of the population attend early childhood education programs, whereas almost no lowest-income children attend.

There also is increasing proof of the importance of ECCD for later individual and social development, with several arguments to support this assertion.

(i) **The brain argument:** the most rapid period of brain development occurs in the first few years of life; thus, the influence of a child’s early environment and brain development is long lasting. A nurturing, stimulating environment enhances the number of brain cells, the number of connections among them, and the way these connections are “wired.”

(ii) **The economic argument:** returns on investment in ECCD accumulate and help offset disadvantage and inequality. For instance, a longitudinal cost–benefit analysis of preschools, conducted by the HighScope Educational Research Foundation (n.d.), showed that $1 invested in such programs resulted in a return of $7 by age 27; by age 40, the return had increased to $17. A more recent study indicated that increasing preschool enrollment in low- and middle-income countries would result in a benefit of between $10 billion and $34 billion and a benefit-to-cost ratio of between 6.4:1 and 17.6:1, depending on the percentage of children enrolled (Global Child Development Group 2011).

(iii) **The health argument:** investments in ECCD lower health costs for young children and their mothers, reduce the number of high-risk parents in both the present generation and the next, decrease the need for costly hospital services, and reduce the costs of nutritional rehabilitation for children from birth to
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age 3, due to fewer low birth-weight infants and fewer developmental delays and disabilities.

(iv) The education argument: early learning begets later learning and early success begets later success – just as early failure breeds later failure. Girls who participate in ECCD programs are much more likely to enter school at the appropriate age than girls who do not attend, and ultimately, good-quality ECCD results in cost savings and increased efficiency in primary education, including higher attendance, lower repetition and dropout rates, less remedial and special education, and higher educational attainment. According to a recent *Lancet* study on ECCD, in most cases, “preschool enrollees demonstrated higher scores on literacy, vocabulary, mathematics, or quantitative reasoning than non-attenders” (Global Child Development Group 2011, 3).

These arguments, put together, make a convincing case for expanded, better-quality ECCD programs as an essential part of any effort to improve the quality of educational outcomes for children. The fact that they also have been shown to be effective in the long run in lowering government expenditures for a range of social programs and in increasing family well-being and incomes, especially for disadvantaged children – in addition to the clear effects on the efficiency of the education system and thereby on cost savings to the government – makes ECCD attractive to ministries of both education and finance.

The role of ministries of education in early childhood care and development

Ministries of education often feel they have no responsibility for very young children who are said to be the responsibility of other sectors such as health and social welfare. But ministries can and should do the following:

(i) Provide adolescent and adult education linked to the health and nutrition both of pregnant women and of young children and to the need for early, sustained cognitive stimulation of infants, especially in disadvantaged families. Research from UNICEF’s 2005 Multiple Indicator Cluster Survey 3 showed, for example, that mothers from the lowest wealth quintile in selected East and Southeast Asian countries had carried out only 2.3 child-centered activities in the three days prior to the survey, compared to 3.6 such activities by mothers in the higher quintile (Global Child Development Group 2011).

(ii) Work closely with ministries of health and social welfare (at least) to ensure that messages about cognitive and linguistic stimulation, among other things, are inserted into the training of their extension workers.

A strong foundation for successful early learning

Getting the child ready for school

Building on a strong and healthy beginning in the first years of life, the foundations for successful early learning, and therefore for an education of good quality,
must continue to be built – not only for the overall well-being of the child but also to get the child ready for school. This can include strengthening the family’s role in early education by providing information and support to parents, including fathers. This also focuses on providing one to two years of quality, child-centered, play-based preschool programs through daycare centers and/or more formal kindergartens.

Ministries of education should therefore work with agencies sponsoring ECCD programs to ensure the highest enrollment possible, especially among population groups that are usually excluded. It is clearly in the interest of primary school head teachers to ensure that as many of the school’s Grade 1 entrants as possible come from a supportive family background and have attended a quality preschool program.

As ministries of education have come to realize the importance of such programs in improving the quality of education, they have become more active in establishing their own preschool programs, funds permitting, and/or in encouraging private entities, nongovernment organizations, and communities to establish them. The role of the ministry in the latter case is to set standards for facilities, teacher and facilitator qualifications, and curriculum content. In the best of cases, they also provide subsidies to prioritize the most disadvantaged children.

What is essential in this process is to ensure that these preschool programs, especially formal kindergartens, focus on developing a child’s sense of self, their interactions with peers and adults, their self-confidence, their language competence, and their critical-thinking and problem-solving skills, rather than focusing on premature literacy and numeracy. The increasing pressure from parents, politicians, and policy makers for early literacy, often leading to calls for early mastery of English, is often counterproductive, pushing children into formal, teacher-centered, rote learning environments when they still need child-centered, play-based learning and a range of preliteracy skills and social competencies.

**Getting the school ready for the child**

Equally important in the quest for a quality education is getting the school ready for the child. The transition from the home – or even from the preschool – to the primary school is often a traumatic experience, comprising a different cohort of classmates, longer hours of learning, different teaching styles, more formal classroom management, a very different curriculum, and often a different language. There are several ways to ease this transition, for example, by informalizing Grade 1 to make it look more like a child-centered kindergarten; by developing a coherent, seamless curriculum and pedagogy that promotes child-centered, interactive teaching-learning from preschool/kindergarten through the early grades; and by adapting the school to the needs of the child rather than forcing the child to adapt to the needs of the school.

The last is especially important. Each child enters school with a different family and cultural background, different learning experiences, and a different style of
learning. This is most obvious among children who are over-age, living in extreme poverty, or have no preschool experience; among children with disabilities; and among children whose mother tongue is different from the language of the school. Getting a school ready to welcome such a wide range of “clients” and to adapt itself to each of their needs is an essential step in the delivery of good-quality education.

**Success in early literacy and early learning**

Adapting the school to the child becomes especially important when schools must ensure the success of all children in early literacy and early learning. Many children don’t do very well, as the early learning assessments demonstrate. Why are Grade 1 classes usually the largest in the school? Why do they often provide shorter contact hours than the higher grades? And why are they often assigned to the youngest, least experienced, least educated, and/or least permanent teachers, whereas the upper grades, with smaller and more homogeneous classes (because the more different and difficult students have been nudged out in the earlier grades), are often taught by more senior teachers? Although many ministries have data that could confirm or disconfirm these assumptions, very little information is available on how teachers are assigned to classes within schools – and with what consequences in terms of the quality of education provided.

The solutions to this problem are varied, and many are not terribly complex or costly. They include:

(i) smaller classes and longer hours for the early grades;
(ii) better teachers, educated with a specialization in early learning, including training in child development, the identification of individual needs and the personalization of instruction, and the teaching of early literacy;
(iii) the provision of remedial services for children at risk of failure (e.g., extra hours of instruction or a district- or cluster-level resource person skilled in remediation);
(iv) more appropriate textbooks and learning materials to scaffold the skills and content demanded by often overly congested and complex curricula; and
(v) the use of mother tongue as the language of instruction and early literacy.

The last point is becoming increasingly important because an estimated 221 million primary school-age children speak languages not used as the principal medium of instruction in their formal school system (Dutcher 2004). The premise is simple: people only learn to read – become literate – once, and then they apply their literacy skills to a second and third language. And how much easier it is to become literate in one’s mother tongue and language of daily use! In other words, the majority of people cannot be taught to read and write in a language they do not understand well. It is therefore critical – for both cultural
and linguistic reinforcement and academic achievement – that early education and initial literacy be provided in the learner’s mother tongue.

But there are many barriers to mother tongue-based education – languages without alphabets, the lack of teachers able to teach in a mother tongue and of mother-tongue materials, and the lack of political support for anything seen as empowering ethnic and linguistic minorities. In general, however, a strategy of mother tongue-based multilingual education produces better learning outcomes and higher rates of internal efficiency by building upon the knowledge and experience of learners and teachers and allowing often-excluded linguistic minorities into mainstream life and national economic and social development without forcing them to leave behind their ethnic and linguistic identity.

Encouraging mother tongues as the medium of instruction also builds trust, initiative, and participation in learning; makes possible the greater involvement of the learner’s family in school learning; stimulates the production of materials in the language; broadens learned knowledge to include local knowledge; and facilitates integration into the nation’s broader social and cultural life. And ultimately, as with ECCD, mother tongue-based multilingual education saves the system money. There are startup costs – sometimes including the development of an orthography for unwritten languages, the writing of texts and other materials, and specialized teacher training – but in the long run the system gains through higher efficiency. More children enroll in primary school, fewer repeat and drop out, and more complete basic education and continue to higher levels.

According to a study done originally for the World Bank, “bilingual education is an efficient public investment.” A crude cost–benefit exercise indicated that “a shift to bilingual schooling in Guatemala would result in considerable cost savings because of reduced repetition. The higher quality of education generating higher promotion rates will probably help students to complete the primary education cycle and will substantially increase total educational levels at lower cost . . . The cost savings are equivalent to the cost of providing primary education to about 100,000 students per year” (Patrinos and Velez 2009, 597).

A good early literacy practice is Save the Children’s Literacy Boost program. This program identifies gaps in key reading skills, promotes community mobilization for reading action, and provides training focusing on teaching the national curriculum, with an emphasis on five key reading skills. In Nepal, for example, the percentage of Grade 2 students who could identify letters before the “boost” went from 19% to only 20% in a comparison group, but from 3% to 20% in the treatment group. In terms of oral reading fluency, the treatment group showed an increase of 20% between pretest and post-test compared to only 13% for the control group (Gove and Cvelich 2010).

Room to Read is also working in the area of early-grade literacy to complement its efforts in school libraries and local language publishing. Room to Read works with schools to more effectively teach Grade 1 and Grade 2 textbooks from the perspective of how children learn. In Cambodia, for example, the program helps support teachers through professional learning opportunities, workshops, and on-site academic support; provides supplementary materials such as storybooks for
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children; and engages parents in dialogue about learning with children at home. Though the program is still in the pilot stage, children in the Grade 1 program have demonstrated a 50% improvement in their basic reading and writing skills compared with children in control schools (Cooper 2011).

Public and private education

Private schools and entire private school systems represent a phenomenon of increasing importance in Asia. There are at least three (often overlapping) types of such private education:

(i) High-end, urban, often international, for-profit schools, beginning even from kindergarten, usually offering English as the language of instruction, following an international curriculum (e.g., the International Baccalaureate) and catering to both an international clientele and the nation’s elites. The issue is often the extent to which the children of these elites are being alienated from their country, culture, and mother tongue – and whether their families care.

(ii) Schools focused on the region’s aspiring middle class (often with names such as Harvard, Oxford, and Cambridge) and therefore less expensive than the elite schools. These are often considered to be of better quality than the nearby government school (sometimes because they promise instruction in English) but with less well-trained teachers than the elite schools of the first category. The issue here is the extent to which such schools deliver on the promises they make or focus on profit over quality.

(iii) Not-for-profit (and often faith-based) schools for poor and remote populations, run by local nongovernment organizations or communities, genuinely desiring to bring some form of basic education to groups neglected by (or too poor to afford) public schools. These schools are often “of the community,” with lower pupil–teacher ratios and therefore more teacher contact time than government schools, and staffed (at lower salaries) by younger, more motivated, more accountable (and more easily disciplined) teachers with less pressure to follow an often-congested official curriculum. Because these teachers can be freer and more active in their teaching, they often produce education of better quality than their government counterparts (Muralidharan and Kremer 2007). One issue here is that because parents who send children to such schools have to pay more than better-off parents whose children go to more-accessible public schools, such schools should be targeted for extra government support. Stronger partnerships between good private schools and struggling public schools might also be explored (ADB 2003).

The growing importance of the private sector in the region, its increasing complexity, the need for stronger regulatory frameworks for monitoring and enhancing private provision, and the wide range of questions that arise from this phenomenon make further research and debate concerning synergies between public and private education absolutely necessary.
Inclusive, rights-based, child-friendly schools (schools of quality)

In the best of worlds, children are healthy, well nourished, cognitively stimulated from birth and with strong family support; they go to a variety of ECCD programs, whether formal or informal, private or public, which helps them get ready for school; and they gain a strong foundation of early learning during the first years of primary school through well-trained teachers, small classes, and extra assistance when required – and preferably instruction in their mother tongue. Such an education system – and the education these children are receiving – is of good quality.

But such schools of quality, reflecting the comprehensive definition of education discussed previously, are needed throughout the system, at all levels. These schools are essentially rights-based, promoting and reflecting the rights and obligations related to education as described in the United Nations Convention on the Rights of the Child (and General Comment 1, which explains in further detail what the right to education means). In essence, a rights-based, child-friendly school is both child-centered and child-seeking.

(i) A child-centered school, as described above, is “ready” for children; it acts in the best interests of the child, leads to the realization of the child’s full potential, and is concerned about the whole child (i.e., the child’s cognitive, emotional, psychological, physical, and spiritual development).

(ii) A child-seeking school actively identifies excluded children in the community, gets them enrolled in school and included in learning, and prevents them from being pushed out.7

More specifically, a child-friendly, rights-based school is:

(i) **Inclusive:** not excluding, discriminating against, or stereotyping on the basis of difference; providing education that is free, compulsory, and accessible; respecting and welcoming diversity and ensuring equality of opportunity (e.g., for girls, for ethnic, linguistic, or religious minorities, for migrant children, and for learners with disabilities); responding to diversity as an opportunity rather than a problem; and meeting the differing needs of individual learners.

(ii) **Academically effective:** promoting good teaching and learning through flexible instruction appropriate to each child’s learning needs, abilities, and styles; ensuring cooperative, participatory, and democratic learning; providing structured content and good-quality materials and resources; enhancing teacher capacity, morale, commitment, status, and income; promoting quality

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7 Many children do not voluntarily drop out of school or are not pulled out by their parents; rather, they are slowly pushed out by the school which does not or cannot respond to their individual needs related to gender, language, disability, learning difficulties, poverty, etc. Getting schools and ministries of education to recognize their responsibility for this process is an important first step in building a better-quality education.
learning outcomes; defining and assessing what children need to learn (e.g., literacy, numeracy, or life skills) and helping them achieve this; and teaching children how to learn.

(iii) **Healthy, protective, and safe:** ensuring a learning environment of good quality – healthy, hygienic, and safe; providing life skills-based health education; promoting the physical, psychosocial, and emotional health of teachers and learners; helping to defend and protect all children from abuse and harm (such as corporal punishment, bullying, or ridicule); and providing positive experiences for children.

(iv) **Gender sensitive:** promoting gender equality in enrollment and achievement; eliminating gender bias and stereotypes; guaranteeing girl- and boy-friendly facilities, curricula, textbooks, and teaching/learning methods; socializing children in nonviolent environments; and encouraging respect for everyone’s rights, dignity, and equality.

(v) **Inclusive of children, parents, and the community:** promoting child participation in school life; working to strengthen the family as a child’s primary caregiver and educator; helping children, parents, and teachers establish harmonious, collaborative relationships; encouraging local partnerships in education; and acting in and with the community for the sake of children.

There are increasing numbers of examples of such child-friendly schools around the world. In the Lao PDR, for example, what are called “schools of quality” have become an essential part of the nation’s Education Development Sector Framework, endorsed by the government and all donors in education, with school assessment and improvement frameworks and teacher training programs focused on these listed components. In Pakistan, inclusive, child-friendly schools are now the basis for the development of specific interventions in the increasingly powerful provinces, and various versions of such schools are found across the region – in Cambodia, the Philippines, and many other countries. Another example is Indonesia’s strongly decentralized education system, which is increasing its focus on school-based management, again emphasizing a broad definition of quality beyond only inputs and outputs.

**Conclusion**

In calling for such changes to education in the region, two important caveats must be considered. First, these proposals do not represent a wholly alternative system to what currently exists in Asia and the Pacific. Rather, they call for a greater focus on quality within already-existing education policies and programs. Some examples of such a focus include:

(i) Paying more attention to the multiple needs of young children, including attention from ministries of education. This requires better collaboration among the sectors responsible for meeting these needs, the scaling up of quality ECCD programs, and a clear government policy focusing on
the young child, such as the Early Childhood Development Law of the Philippines.

(ii) Easing the critical transition years from the home or preschool to the primary school by decreasing the disjunction (in content and methods) between one level and the next and by making Grade 1 look more like a child-centered, play-based kindergarten rather than making the kindergarten look like Grade 1. Policies that support more integrated curricula and more specialized training of kindergarten and early-grade teachers can make this possible.

(iii) Making the early grades not only a seamless extension of preschool but also a place with the best teachers, the smallest classes, and the most personalized instruction, thereby acting on the knowledge that the foundations for lifelong learning are laid in the early years of school.

(iv) Building on, enriching, and expanding the many examples of child-friendly schools that exist in the region, by whatever name, to ensure that they are both child seeking and child centered and become “of the ministry” – an essential part of the ministry’s education policy and development framework.

The second caveat relates to financing. Although these proposals are not resource neutral, not all would cost large amounts of additional funds. Even those proposals that call for extra resources in the short term are likely to save the education system – and society as a whole – in the long term. Some cost-effective approaches include:

(i) developing more comprehensive ECCD policies and programs for children from birth to age 8, strengthening interministerial collaboration around ECCD, setting national standards for good-quality programs, and encouraging the private sector and communities to fund and implement them;

(ii) moving surplus funds in the system downward into ECCD programs to benefit the many rather than upward into more-exclusive and more-expensive tertiary education systems;

(iii) developing inclusive, child-friendly national education policies, strategies, and programs that mandate all relevant actors to work toward a system that includes all learners in school and in learning;

(iv) developing preservice and in-service teacher education programs specializing in early learning;

(v) establishing school-level teacher allocation mechanisms that put the best teachers in the early grades, where they are needed the most; and

(vi) collaborating with relevant linguistic communities to promote mother tongue-based multilingual education, seeking out teachers from these communities and, following the national curriculum, developing appropriate materials with the communities.

The problem, of course, is a lack of resources, which some countries in the region face in financing even these kinds of cost-effective approaches. Some
financial constraints are absolute in countries with few natural resources, a limited tax base, or small national budgets. In other cases, budgets are skewed away from (or squeezed out of) social development sectors in favor of other sectors such as defense or infrastructure.

There is increasing evidence that education systems in Asia and the Pacific – for all of their quantitative progress – still face significant problems in helping their children learn what they need to learn in order to meet the challenges already existing – and yet to arise – in this century. But experience shows that potential solutions to many of these problems currently exist; such solutions should be used more persistently and publicly to convince governments to commit to, and find the resources to provide, a quality education for all.

References


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8 ADB recognizes China by the name People’s Republic of China.


Technology has been a major driving force since the beginning of the Industrial Revolution. Capital and labor are fundamental factors of production, and technology has been transforming both of them to tease out new products and unprecedented levels of productivity. But new technology also demands newer and higher levels of skills. This chapter focuses on the role of skills development as an instrument of promoting employment, particularly among youths in Asia and the Pacific, and partly addresses an important target under Millennium Development Goal (MDG) Goal 1: Achieve full and productive employment and decent work for all, including women and young people (Target 1b).

The discussion is carried out in four main sections. The first section introduces the concept of skills and describes its different facets in the context of the present, rapidly growing Asia with integrated global production networks. It singles out the role of skills in this transformation, which is occurring both internationally and within the domestic sectors of economy. The second section focuses on youth unemployment as the outcome and links this to the achievement of better schooling by emphasizing school completion rates as an instrument to upgrade skill levels. The third section highlights the role of technical and vocational education as an additional crucial instrument to tackle the problems of youth unemployment and skills shortages being faced by the region. Apart from identifying the broad trends at the regional level in Asia and the Pacific, these two sections also mention the countries in which the challenges of skills development remain still to be met. The final section discusses some implications of the ongoing global economic and financial crisis on the skills-enabled industrial transformation of the Asia and the Pacific, before making some concluding observations.

Skills development, education, and Millennium Development Goals

Through the pursuit of eight goals, the MDGs seek to play an enabling role for the poor, women, minorities, the young, and the disadvantaged so that they

1 The authors wish to thank Shyamal Majumdar, Head UNESCO-UNEVOC, Geneva, for his very helpful comments on this chapter.
can actively participate in and benefit from economic development. Education is an important instrument through which members of society equip themselves with requisite skills to meaningfully pursue decent work. Basic education largely relates to education of boys and girls ages 6 to 14. Although education has also many other nobler goals and objectives, the immediate focus of education in this chapter is the equipping of pupils with marketable skills. In this respect, the MDGs have helped directly by focusing on the universal provision of primary education and have helped indirectly through the emphasis on productive employment, which is underpinned by skills developed through various means, including vocational education.

The MDGs attach significance to the problem of youth unemployment because these graduates of basic education suffer from inordinately high levels of unemployment. Youth unemployment conventionally relates to men and women ages 15 to 24 who are entering the labor market. This cohort comprises those who have gone through basic education, have dropped out of school, or have missed school altogether. The MDGs focus on “full and productive employment and decent work for all, including women and young people.” The employment situation is particularly bleak for new entrants, minorities, women, and those living in remote and rural regions of developing countries, and this impedes inclusive development. Youth who are nonwage employees are particularly vulnerable, as a recent Asian Development Bank (ADB) (2011) study observed.

A large part of the work force comprises “own-account and contributing family workers,” which is considered vulnerable employment compared to more stable wage employment. In most countries, more women than men are employed in vulnerable jobs.

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2 The Millennium Development Goals present a comprehensive framework of goals, targets, and indicators focused on inclusive development. Since the formulation of the MDGs, there also has been an expansion in their scope. For this reason, studies differ from one another in focus, depending upon their coverage of all or a few goals, targets, and indicators. After starting out with 48 indicators, the number has grown to more than 60 indicators that relate to the eight goals and 18 targets.

3 This chapter narrowly interprets the role of education within the human capital framework (see Becker 1993). This, of course, should not be construed as denying recognition of other characteristics of education, although this paper does not focus upon other, broader issues.

4 An interesting debate seems to be emerging with regard to the achievements of MDGs at the national level (Clarke and Feeny 2011). For example, Clarke and Feeny quote Vandemoortele and Delamonica (2010): “The perception is widespread that unless all countries achieve the same global targets [MDGs], the world will not meet them. This view is incorrect. The MDGs are to be achieved collectively, not necessarily individually” (61). Clarke and Feeny even mention that ADB has been listing MDG achievements by member developing country. For illustration, see the statistical appendix of the recent MDG report by ESCAP, ADB and UNDP (2012). It is not clear what Vandemoortele and Delamonica (2010) mean by “achieved collectively, not necessarily individually.” With the current emphasis on inclusive development, one would have thought it important for every country to achieve as many MDGs as possible. In line with the reports of several United Nations agencies, this chapter continues to look at the MDGs nationally.

5 Data on youth unemployment is included in the United Nations statistics on MDGs, but these are not widely processed and analyzed in developing the MDG indicators.
It must be clarified that skills development does not necessarily ensure employment on its own. Employment, especially gainful, productive, and sustainable employment, depends upon the way economic activities are undertaken in the context of job markets, which in turn depends upon the demand for skills and their supply. Employment is determined by the intersection of skills being sought by employers and the skills possessed by entrants to the labor market. In practice, even if the demand for labor and the supply of skills broadly match in aggregate terms, the spatial, occupational, and industrial distribution of jobs in relation to institutional setups could preclude everyone from landing productive employment. The focus on skills development is important in the sense that the availability of skills is a necessary but not a sufficient condition for securing employment.

A situation with an overall balance between the supply of and the demand for skills, but still displaying unmet demand and a number of unemployed looking for work, is traditionally known as a case of structural unemployment. To achieve the twin objectives of imbuing skills and securing employment in such a situation, there is a need to pursue policy reforms that would ensure that the job market efficiently discharges its market clearing function. These reforms are often complex but have an important role in an open economy.

One of the reasons that employment markets do not function efficiently is that there are a number of intervening factors between education, skills development, and employment whose mutual relationships are far from straightforward. Some analysts even question this nexus. They are not fully convinced, for example, that additional years of schooling necessarily adds up to imbuing skills that are valued in the job market. This is notwithstanding the World Literacy Foundation’s (2012) claim that illiterate people earn 30% to 42% less than their literate counterparts. The report further observed that worldwide illiteracy costs the global economy about 2% of its gross domestic product per year. In this sense, literacy itself is the foremost skill.

The MDGs rightly focus on basic education (varying in length from 5 to 8 years across countries), leaving out other stages of skills development that are pursued separately. For example, technical and vocational education and training, whether a certificate, diploma, or degree, has a much broader interface with skills development and job markets. Although technical and vocational education is critical to expanding employment and meeting MDG 1b, it has not been specifically mentioned under the MDGs. This could be a significant lacuna in the context of industrialization in Asia, whether internationally or within individual economies; however, primary education, which formulates cognitive skills in the early years of life, finds prominent mention in the MDGs.⁶

⁶ Following Sohn (2010), cognitive skills referred to in this paper include reading, mathematics, science, and history/citizenship/geography. These are primarily centered around mathematics and reading skills. Psychologists have played a significant role in clarifying the development of cognitive skills (see Fisher 1980). On the other hand, noncognitive skills change throughout adolescence and include perseverance, motivation, and ambition. On the role of cognitive skills in economic development, see Hanushek and Woesmann (2008).
Cognitive skills developed at a primary stage play an important role in determining the trajectory of an individual’s performance abilities throughout her or his working career, including success in acquiring skills at technician or higher levels of education, and constitute the foundation on which these other higher order skills are mounted. Cognitive skills provide a foundation for one’s performance and associated efficiency throughout one’s life. This chapter focuses, therefore, on the role of cognitive skills developed in the primary schooling stage and thereafter goes onto discuss technical and vocational education, both of which are critical for enabling youth employment.

**Varied facets of skills**

A large variety of skills is required by, and supplied to, the modern globalized market economy. A recent review of skills in the United Kingdom (Her Majesty’s Treasury 2006) mentions as many as 22,000 qualifications corresponding to different types of skills there. Formulating an appropriate policy can be bewildering in such a situation. It is instructive to recall here how the importance of skills surfaced in economic analysis, with Adam Smith’s (1910) recognition of the division of work. He observed, “This great increase of the quantity of work which, in consequence of the division of labour, the same number of people are capable of performing, is owing to the three different circumstances; first to the increase of dexterity in every particular workman . . . ” (7).

Smith (1910) went on to say, “A man educated at the expense of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital . . . The difference between the wages of skilled labour and those of common labour is founded upon this principle” (90).

Notwithstanding the productivity that ensued from such growing specialization (in which more and more labor worked on smaller and smaller tasks), Smith was also aware of the adverse effect of such a move, especially how narrowly focused tedious and repetitive work could cause the degeneration of human life to a monotonous existence. In the contemporary context, this argument is often made with regard to the working conditions of women workers in the garment industry in Asia and the Pacific.

Despite Smith’s clarity, labor economic analysis has been mired in ideological confusions. Partly as a result of this, labor market institutions have been slow in responding to the skills challenge. Skill ladders matching job-slots have been difficult to construct. Education and training places have been unable to undertake reforms and facilitate labor mobility. Accreditation bodies have been slow

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7 Complementarity between education and training is well documented. For a recent contribution, see Budria and Telhado-Pereira (2009).
in recognizing experience-based acquisition of on-the-job skills and knowledge. Employers see little incentive in promoting workers from within the shop. Trade unions also would not let workers graduate out of their ambit. The bottom line is that, beyond general wage increases across the board, the productivity gains associated with specialization have benefitted higher-level employees more, and by and large have failed to offer much benefit to low-level or unskilled workers in developing economies.8

**Technology and skills**

With the rapid growth in production and process technologies, the mobility across skills has acquired more importance. Each new wave of technology requires a new set of skills. Inexorable changes in technology pave the way for the new division of work and emerging specialization. Workers must retool themselves to stay abreast of technical changes. Because they must compete with new workers who enter jobs with newly acquired skills, older workers usually lose some of their accumulated wage premiums along the way, especially if they cannot retool themselves.9 This pace of change has become more rapid and pervasive with the growth of information communication technologies and computer-based production systems. Workers who fail to retool themselves join the ranks of the unemployed or get pushed out of the labor market altogether (as discouraged workers). Maxwell (2008) finds that jobs held by low-wage workers have been transformed to require the “new basic” skills of reading and writing, math, problem solving, communication, the use of equipment, and the use of computer software, which serve as a foundation for on-the-job training and can be instrumental in landing a job. Jobs employing such skills also pay higher wages, on average, than do other, lower-skill jobs, especially those in which physical skills are relatively important. This constitutes the building block of value addition in modern production networks, whether internationally or within the domestic economy.

**Organization and skills**

The changes in both division of work and the associated technology eventually are accommodated by the organizational design of commercial corporations. The more elaborate the division of work, the more complex the organizational design. As one moves from a unitary production system to a system of production networks, the organizational complexity of production systems increases greatly. Consequently, the tasks get further divided, subdivided, and streamlined until every link in the production chain enjoys cost and competitive advantage.

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8 An interesting contribution by Ashenfelter (2012), comparing real wage rates, recently addressed this larger issue.

9 For details on employee involvement, technology, and the evolution of job skills, see Green (2009); on information and communication technologies in Asia and the Pacific, see Prakash (2002).
Such networked production has three significant implications for skills. First, it further narrows the scope of specialization, bordering in the extreme on super-specialization. Second, the global pressure of cost competitiveness bears down on the skills deployed. Third, for such a production organization to be viable on a global scale, it must operate on a large scale and enjoy first-mover advantage. Thus, for a networked production unit, it is not simply a matter of low-paid skilled workers but also of the scale of skills availability. To some extent, the emergence of the People’s Republic of China (PRC) as the world’s manufacturing powerhouse, and the rise of India and the Philippines as software centers, is due to both the presence of skills and the scale of their availability in these countries. These countries have determined new value chains in their respective domains and have radically altered the global production systems.

**Global trading in skills**

Following the advent of personal computers in the 1980s, and of the internet and multimedia in the 1990s, it became possible for production systems to become mobile and shift to locations yielding comparatively higher profits. Led by large corporations, these relocation decisions created demand for skills in new locations and created massive employment opportunities, often at a higher wage premium than the going rate of unskilled workers in the developing economies.\(^\text{10}\) These jobs attract better-qualified workers from within the pool – workers who have the drive and are keen on taking advantage of this opportunity to improve their standard of living.

The global trading regimes, especially the burgeoning trade of intermediary goods and services, not only positioned new enterprises in a competitively strategic position but also secured large numbers of skilled workers willing to work for networked corporations. As a result, during this phase of industrialization, skills enabled the massive hollowing out of established industries, especially manufacturing from the Western economies into developing countries (Compilieti, Fang, and Gunderson 2010). Within Asia, relocation took place out of Japan and Taipei, China. Trading opportunities enabled capital and technology to rush to the sources of skilled workers, namely the PRC and other East Asian economies and India, among others.\(^\text{11}\) An implication of this process, debated considerably in the context of the 2008 global crisis, is the effect of this process on job opportunities for workers in the developed world.

**Gender and skills**

Female workers trail males in participation in non-agriculture wage employment where skills are more important; therefore, a special focus on their skills development is required. The MDGs fulfill an important pre-requisite between

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\(^{10}\) Exporters pay higher wages and often employ more skilled workers than the average firm engaged in the domestic economy (see Serti, Tomasi, and Zanfei 2010).

\(^{11}\) Importantly, the direction of trade, not just the magnitude of trade, affects the skills premium of exporting firms.
gender and skills by seeking parity in the enrollment of girl pupils in education and emphasizing the employment of women. This is not only a valuable source of skills for the market but also has a widespread effect on the welfare of the population, especially children, through the improvement of the standard of living. Educated women are known to be better managers of household funds, nutrition, and children’s health. More generally, the presence of women with better education and skills helps to overcome negative social customs and practices in society. The Leitch Review of Skills (Her Majesty’s Treasury 2006) also recognizes “clear links between skills and wider social outcomes such as health, crime, and social cohesion” (9).12

The MDG priority on educating women addresses a need that has long been recognized. Sen (2010) noted that in the late 18th century Condorcet “was one of the first to emphasize the special importance of the schooling of girls” (93). In this sense, the MDG emphasis on gender parity in primary education and youth employment is a deep-seated reform with potential implications for eventual skills balance across genders.

A recent ADB (2011) study on the Maldives highlights the need for inclusion of more indicators to track not only women’s participation rates in training activities but also whether new skills acquired are actually applied by beneficiaries. This is despite the fact that the Maldives has been able to create conditions for parity in male and female elementary education enrollment. However, women’s participation in the job market continues to lag. In the absence of natural resources, the Maldives needs to generate value addition through human resources, but the country lacks the skills and the knowledge base to operate at higher levels of the value chain.

Skills and youth unemployment

Youth unemployment

The data set provided on the official MDG website13 includes data on youth unemployment. Although in the case of some countries, such as the Philippines, data is presented for every year in a time series, data for most other countries is presented sporadically with gaps. The MDG database begins in 1990, an important reference point for the MDGs, but the database does not have anything after 2005 on this variable – a decided limitation that prohibits the study of this variable in light of recent developments such as the 2008 global financial crisis and its aftermath.

Youth unemployment data is available in four forms: the youth unemployment rate as estimated by the International Labour Organization (in contrast to national unemployment rate estimates, which can be different across countries); the share of unemployed youth relative to the youth population, as sourced from the United Nations Statistics Division; the share of unemployed youth relative to the total number of unemployed; and the ratio of youth unemployment to adult unemployment (RYUAU). All data are given both separately for men and women.

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12 See also Denny and Doyle (2010).
and combined for both sexes. Although there are a number of dimensions to the various indicators, the key features of unemployment relate to the availability and willingness of a person to work – that is, to the person being economically active – irrespective of whether he or she is employed or unemployed. The underlying demographic profile, such as the size of the cohort ages 15 to 24 and changes in cohort size over time, also are important.

Given the brevity of this chapter, we focus on the fourth indicator, the RYUAU, a broad indicator that describes youth unemployment as a multiple of general adult unemployment in the economy. For example, if general unemployment is 8% but youth unemployment is 16%, this ratio will yield 2, suggesting that the rate of youth unemployment is double that of adult unemployment. In economies where the RYUAU value is higher than 1, more youth unemployment is indicated – lower than 1 indicates less youth unemployment. The RYUAU specification manages to adequately abstract away from both the specific conditions of the job market and demographics. It focuses only on the incidence of unemployment among youth in comparison to its incidence among the general population.

Range of youth unemployment
The actual RYUAU values range from 2.4 to 4.9. That is, youth unemployment is at least more than twice the adult unemployment rate. In some instances it is as much as five times the adult unemployment rate. RYUAU seemed to be cyclical, exceeding the four-times level on six occasions between 1990 and 2005. At about the time of the 1997 Asian economic and financial crisis, it reached approximately 10 times the level in the case of Indonesia and exceeded 5 times in the case of Malaysia. Such high RYUAU values indicate either a high level of youth unemployment or a low level of adult unemployment, although the actual situation is likely to be the former. In either situation, relative unemployment among youths is high. It is noteworthy that, at this aggregate level, changes in male and female youth unemployment seem to move in tandem (Figure 7.1).

Obviously, the high incidence of unemployment among youth groups is a source of concern. These young men and women are not engaged in full-time education, implying that they have finished whatever schooling they underwent. Their acquired skills, and possibly their lack of work experience, render their engagement in full-time employment difficult. If left unattended, the large number of the unemployed youths become vulnerable and but also can be hazardous for governance, social stability, and the smooth implementation of development programs. The lack of appropriate skills among youths in such a large number is indicative of a huge intergenerational gap. The only consolation is that the trend line in Figure 7.1 seems to suggest that the situation might be ameliorating over time in Asia and the Pacific, albeit slowly. In the absence of more recent data, however, it cannot be said that the improvements have continued in the face of the 2008 global economic and financial crisis.

Due to the geographic lopsidedness in the data, the seemingly co-terminus behavior of the RYUAU for both males and females can be misleading. This is
Figure 7.1 Ratio of youth unemployment to adult unemployment in selected countries of Asia and the Pacific.

Figure 7.2 Ratio of youth unemployment to adult unemployment in Bangladesh, India, the Maldives, Pakistan, and Sri Lanka.

demonstrated by separated data on South Asian countries. The MDG database includes some observations about Bangladesh, India, the Maldives, Pakistan, and Sri Lanka, although observations from Pakistan and Sri Lanka dominate this section. Figure 7.2 shows that the incidence of unemployment is far higher in the case of males than of females. There could be several reasons for this gender gap in South Asian countries. The job market could be gender segregated, or women may be discouraged and not seeking employment; however, given the limited set of observations ($N = 30$) and their geographic concentration, one needs to interpret the data cautiously.

Some interesting national findings are available for the Republic of Korea (Figure 7.3) and the Philippines (Figure 7.4). The Republic of Korea seems to
have closed the gender gap in the RYUAU following the 1997 Asian economic and financial crisis, but the gap is diverging in the case of the Philippines.

**Skills and school completion**

Given that literacy is the foremost skill, it is important to examine the education-related MDG database and to derive further insights on this issue. A recent MDG report gives three sets of educational data: primary enrollment rates, data on pupils who reach the final grade, and primary school completion rate (Economic and Social Commission for Asia and the Pacific (ESCAP), ADB, and United Nations
Development Programme (UNDP) 2012). For all three, two sets of observations are available over time – usually for the early 1990s and the latest year. The data are not uniformly available for all countries for the same years. Although all three data sets are interrelated and capture the process of skills formation, the data most pertinent to skills is the primary school completion rate, which is here interpreted to mean that a certain standard of educational achievement has been acquired and internalized.

**Gross enrollment ratios.** As is often the case with education data, a number of observations refer to gross enrollment ratios instead of net enrollment ratios. Because gross enrollment data also includes pupils outside the relevant age cohorts, the proportion of an age cohort enrolled in school cannot be estimated in a straightforward manner. It goes without saying, though, that as countries reach nearly universal enrollment, the proportion of left-out pupils should go down over time. Hence, in a growing education system, the gross element in enrollments should diminish over time.

In the recent MDG progress report, there are a number of countries in which school completion rates exceed 100%: Brunei Darussalam, the PRC, Georgia, Indonesia, Kazakhstan, Kiribati, the Republic of Korea, the Maldives, Palau, Tonga, and Viet Nam.\(^{14}\) This implies the presence of the gross element in their enrollment. The list of countries is a mixed lot. Some of them, such as the PRC, Indonesia, and Viet Nam, are growing rapidly, whereas some others are growing slowly. The list also includes some transitional economies that are going through major restructuring. Whereas faster-growing or resource-rich countries require high-quality skills in large quantities to protect their economic growth, poor and resource-deficient countries are also dependent on their human resources because they do not have much else to deploy to undertake economic growth.

**Regressing enrollments.** A number of countries in Asia and the Pacific have been unable to sustain their earlier gains in school completion rates for various reasons. Although the Central Asian transition economies have been investing much resources to keep up the pace of school completion, after gaining independence from the Soviet system, school completion rates in some of these countries have, in fact, registered a decline. Internal social conflicts (in Sri Lanka) and political governance issues (in Fiji) also have taken their toll. The small island economies of the Marshall Islands, Tuvalu, and Vanuatu have shown their vulnerability to larger global shocks. Thus, the challenge lies not only in attaining universal education but also in making educational development resilient to future shocks. The key message that this group yields is that, given the demographic flow characteristic of skills, it is not enough merely to achieve a certain standard but countries must keep striving to maintain the standard.

\(^{14}\) Strictly speaking, if these enrollment figures refer to gross enrollment, then net enrollment in these countries will be below 100%. Subject to further verification, it is assumed here that the achievements in these countries are above the 95% cutoff, an indication that, in this sense, they have achieved the MDGs.
Although the MDGs have targeted universalization of primary education, subsequent reports have used a 95% school completion rate as the cutoff in reporting achievement because reaching beyond 95% becomes increasingly onerous. Taking countries above the 95% cutoff as having already achieved the MDGs, one can focus on the core set of countries where the challenge still remains. The economic investment, policy reforms, and governance of these countries need much more attention to ensure that the young, left out, poor, women, remotely placed, minorities, and other vulnerable sections of the population may be reached.

A number of Asian countries have done well. The PRC is in the forefront in terms of skills and human resource development; it has taken an entirely new and unprecedented approach to industrial development in which the availability of skilled labor in large quantities plays an important role. This is facilitating the relocation of manufacturing from elsewhere to the PRC, a phenomenon that has become the hallmark of the PRC’s industrial model and that is not viable without the availability of skills in large measure. On the other side of the spectrum, Singapore – one of the most advanced countries in Asia and the Pacific – has been undertaking deep education policy reforms focused on keeping the standard of skills in the city-state at a high level.

The Republic of Korea has certainly been performing well, scoring highly in international competitive assessments. It has enacted strong measures and has invested considerable resources across the entire spectrum of education, with a view toward upgrading skills, building a foundation for the national economy, and carving its own niche. The country’s emphasis on science and technology is especially worth mentioning in this regard. Thailand also has significant accomplishments, though there are some gaps that must be further strengthened, particularly at the diploma and technician skill levels.

In addition, some other countries have also exceeded the 95% cutoff and have significant achievements to their credit in terms of school completion. Malaysia’s achievements in this category are particularly impressive. Likewise, Brunei Darussalam and Viet Nam have made significant strides and are actively investing in promoting skills in their countries. Viet Nam, particularly, is addressing a broad spectrum of skills to sustain its rapid economic growth.

Focusing on other Asian countries for which data for estimating the rate of progression is available yields interesting information (Table 7.1). Beginning at relatively low starting levels, Bhutan and Cambodia registered fast growth in the school completion rate. Although their absolute level of achievement may be low, their pace indicates that they are on the right trajectory to cover the entire age cohort. Likewise, India and Nepal have kept pace in terms of progress in their school completion rates, which have managed to stay ahead of the population growth rate. Given India’s size, it would be a big achievement indeed to ensure that more than 95% of its pupils attend through school completion. The data for 2008 was 94.8%, so if the pace has been sustained, India will have already achieved this milestone.

In the case of the Philippines, data indicated a school completion rate of 93.7% in 2008, so one should expect that by now it too will have crossed the 95%
Skills and youth in a growing Asia

Table 7.1  Progress in school completion rates

<table>
<thead>
<tr>
<th>Rate of progress</th>
<th>Country</th>
<th>Annual increase in school completion rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 5% growth per annum in school completion</td>
<td>Bhutan</td>
<td>5.7%</td>
</tr>
<tr>
<td></td>
<td>Cambodia</td>
<td>7.9%</td>
</tr>
<tr>
<td>2% to 5% growth per annum in school completion</td>
<td>Cook Islands</td>
<td>2.6%</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>3.4%</td>
</tr>
<tr>
<td></td>
<td>Nepal</td>
<td>2.9%</td>
</tr>
<tr>
<td>Less than 2% growth per annum in school completion</td>
<td>Bangladesh</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
<td>Lao PDR</td>
<td>0.6%</td>
</tr>
<tr>
<td></td>
<td>Mongolia</td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td>Pakistan</td>
<td>0.1%</td>
</tr>
<tr>
<td></td>
<td>Papua New Guinea</td>
<td>1.6%</td>
</tr>
<tr>
<td></td>
<td>Philippines</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

cutoff. The Philippines is a special case because a large number of Filipinos work abroad. Some of them are engaged in fairly sophisticated jobs overseas, whereas the bulk are in service sectors. Remittances derived from compensation for exporting skills accounts for nearly 10% of the country’s gross domestic product. As such, investing more resources in skills development should be seen as vital.

The real issues, however, relate to the countries where school completion has been growing at a rate slower than 2%. These countries include some heavily populated ones such as Bangladesh, Pakistan, and Papua New Guinea. Both Bangladesh and Pakistan export skills, especially to countries in the Middle East, and enjoy a steady flow of incoming remittances. It would, therefore, make a lot of economic sense for them to expedite investment in school completion and skills upgrading. Papua New Guinea is one of the richest countries in the Pacific in terms of natural resources. It thus requires skills in large measures to husband these resources and secure economic growth.

It is often reported that a major demographic structural shift is taking place in Asia and the Pacific, particularly in connection with the aging population in Japan and the single-child policy of the PRC. With increasing economic development, birth rates have declined appreciably in many East Asian countries. In this context, South Asian countries often are described as having some kind of comparative advantage or a demographic premium; however, for the millions of young people to be gainfully engaged in economic activities, it is necessary for them to be equipped with skills demanded by the labor market. In India, for instance, the

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15 The rates of growth have been calculated using the data available for the earliest and latest figures. As such, these growth rates may not be valid for the entire duration of the past two decades, on which the analysis focuses.
quickly growing sectors of the economy are those that are skill intensive (Kotwal, Ramaswami, and Wadhwa 2011). The high incidence of youth unemployment, however, is not a good indication.

An illiterate and unskilled population is hardly of much use to any society at present, given that technology is an important determinant of a country’s growth trajectory and employment. India, which in the past was always described as having surplus labor, is now realizing that it is short on skills, and certainly short on the quality skills that are required to participate in globalization opportunities. If no effective measures to improve the performance abilities of common workers are in place in the country, it may miss all these promising opportunities.

Skills and quality of education. The discussion of primary school education in the context of skills development so far has focused on school completion rates; however, this is a partial measure. The school completion rate as a measure of cognitive skills development often is a poor indicator of the quality of instruction and the skills inculcated. Many studies have pointed out that a significant number of graduates do not possess the requisite abilities to perform satisfactorily in a job situation. Hanushek and Woessmann (2008) suggest that, instead of using the number of years of schooling, the results of an international competitive examination should be used as a proxy for determining cognitive skills and quality of education. If cognitive abilities rather than only years of schooling are taken into account, “education deficits in developing countries are larger than previously appreciated” (609). The authors go on to say, “The state of quantity and quality of education and skills in most developing countries is truly dismal” (657). Their critique underscores the need to capture underlying cognitive abilities and to attribute subsequent work-related careers to level of cognitive ability rather than to years of schooling.

It is well understood, though, that improving the quality of education is not just a matter of having more financial resources and pedagogical techniques. Rather, institutions, especially governance-related institutions, play an important role in making educational investments productive and ensuring that young men and women acquire appropriate cognitive skills. One needs a stable and transparent policy regime in which institutions are performing their assigned tasks. The 2008 global economic and financial crisis drew attention to the need to rebalance institutions and public expenditures in developing Asia toward meeting domestic rather than external demand. It could be an opportunity for greater investment in developing quality basic education.

Although in the current global situation a contraction of demand may make investment in skills appear to be costly, there is a need to take a long-term view. Skeptics such as King (2009) have questioned whether we can continue to pursue the provision of skilled workers for industry (“productivism”) on the assumption of continued economic growth. He feels that the MDGs, as well as other Education for All campaigns since Jomtien, have saddled developing countries with education systems while remaining oblivious to their economic and financial capabilities, and that these systems are not sustainable. Rhetorically, King asks, “what
it actually means for a country to reach the MDGs on the back of external aid” (178). The critique questions the rationale of skills upgrading through education when demand is fizzling out. Do these questions portend the global environment following the 2008 crisis? A strategy for long-term skills development should, however, ignore cyclical turns and focus on the structural factors for the future.

**Role of technical and vocational education in skills development**

Although the MDGs focus on basic education, the MDG framework may have missed out on another essential element in the chain of skills development: technical and vocational education. Given its centrality in the development of skills, countries have made considerable effort to further support skills

<table>
<thead>
<tr>
<th>Region</th>
<th>Enrollment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Developing Asia</strong></td>
<td>19.16</td>
</tr>
<tr>
<td><strong>East Asia</strong></td>
<td></td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>40.95</td>
</tr>
<tr>
<td>Mongolia</td>
<td>22.04</td>
</tr>
<tr>
<td><strong>Southeast Asia</strong></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>35.34</td>
</tr>
<tr>
<td>Thailand</td>
<td>26.41</td>
</tr>
<tr>
<td>Malaysia</td>
<td>16.08</td>
</tr>
<tr>
<td>Cambodia</td>
<td>15.22</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>14.41</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>11.19</td>
</tr>
<tr>
<td>Philippines</td>
<td>6.39</td>
</tr>
<tr>
<td><strong>Central Asia</strong></td>
<td></td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>38.89</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>35.92</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>28.97</td>
</tr>
<tr>
<td>Armenia</td>
<td>27.10</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>22.48</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>13.63</td>
</tr>
<tr>
<td><strong>South Asia</strong></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>4.57</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3.11</td>
</tr>
<tr>
<td>Nepal</td>
<td>2.29</td>
</tr>
<tr>
<td>India</td>
<td>0.37</td>
</tr>
<tr>
<td><strong>Pacific</strong></td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>9.64</td>
</tr>
<tr>
<td>OECD Countries</td>
<td>51.29</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>19.81</td>
</tr>
</tbody>
</table>


Note: Refers to proportion of enrollment in vocational programs to total enrollment in all programs in International Standard Classification on Education (ISCED) levels 3 and 4.
formation through vocational education to better serve the needs of the economy. Manufacturing, for example, cannot employ only basic education graduates; it requires a variety of trained technicians to perform a large range of skilled tasks. This is also true for the whole range of services. Although employers in industry and services can and do provide some on-the-job training through apprenticeship programs, these programs divert resources from their main businesses. The job of vocational training, therefore, is by and large left to special vocational training institutions.

The insufficient supply of skilled workers represents a major constraint on Asian development. The lack is contributing to adoption of labor-saving modes of production. Investment is concentrated in production of goods and services in areas that do not employ much labor, thus contributing to the phenomenon of jobless growth.

Data on vocational education (Table 7.2) show, first, that developed countries (represented here by Organisation for Economic Co-operation and Development countries) are bigger users of skilled labor and hence have more students enrolled in various levels of vocational education, as a portion of total enrollment, than less developed countries. Second, Asian countries as a whole have lower enrollment in skills programs than developed countries – lower than even Latin America and the Caribbean. Third, there is considerable variation within Asia, with the more industrialized countries having a higher proportion of vocational enrollments. Finally, South Asian countries as a group have tended to place much less emphasis on vocational education – as measured by this index – than other Asian subregions. These trends are broadly in line with the idea that skills determine trajectory of growth and that faster-growing economies require more skills.

To rectify this obvious lacuna, the countries of South Asia have begun taking steps to fill the gap. India, for example, proposes to launch a massively ambitious program that will inculcate skills in as many as 340 million young people. Further, the government is developing institutional arrangements, offering financial incentives, and setting up monitoring and evaluation systems for the program (Box 7.1).

**Box 7.1 India launches skills development program**

During the first year of the Twelfth Five-Year Plan, India will train 8.5 million young people and make them skilled. By the end of 2018, the target is to cover 260 million people, and by 2022, as many as 340 million people will have been trained. The National Skills Development Council has been entrusted with this challenging task.

The government subscribes to the skills development program as a “merit good.” It is supporting the program with financial incentives and building capacity through appropriate institutional arrangements. A credit guarantee fund is being created to channel to aspiring candidates resources for obtaining skills. Communication campaigns are envisaged to encourage participation and extol the “dignity of skilled work.” Certain fiscal incentives, such as exemption from the service tax, are envisaged for the skills upgrading bodies. This will result in lower fees for students seeking those skills. Special provisions will be launched under the program to encourage the participation of
Why has there been insufficient focus on developing skills in Asia, and particularly in some countries? Some have drawn attention to sociological issues, such as general condescension for manual labor in traditional Asian societies (Tilak 2002). Added to this are other ingrained economic disincentives, such as insufficient returns over the life cycle, relative to general education (Hanushek, Woessmann, and Zhang 2011), and the greater risk that specialized education will reduce flexibility to pursue other jobs should demand change (Chatterjee 1987).

The issue of social attitudes toward certain categories of work, such as construction labor or factory-based employment that require use of physical labor, as opposed to avocations that involve mental activity, has been an issue in some Asian societies despite attempts at reform. Such attitudes also reflect differences in remuneration and working conditions, and as wages in specialized skill-based work increase and working conditions improve these attitudes should also change. For example, a Sri Lanka Youth Employment Network Secretariat (2006) study found that although manual labor is perceived as a low status job in Sri Lankan society, this perception is influenced by the poor working conditions, including long hours, occupational hazards, and unpredictability of work. The study argues that attempts to change attitudes is not enough and that steps must be taken to set better standards for various vocations and jobs.

In addition, technical and vocational education often is considered an avenue to work for those who cannot qualify for higher education, creating a social stigma toward such workers and a perception that they are academic underachievers (Aring and DePietro-Jurand 2012). Keeping wages for skilled work low reinforces such an impression. Failure to provide vocational education graduates with avenues to higher learning also reduces the attractiveness of vocational education. Whatever the cause, social stigma toward manual work in industry and similar avocations in services is a major factor preventing youths in a number of developing countries from using the vocational education route to acquire skills and find gainful employment. This must be tackled in a number of ways, such as by providing attractive wages and better working conditions, by assigning equal prestige to vocational education and basic education, by providing channels to higher education if a student desires it, and so on.

Other substantial problems with vocational education include the potential returns compared to the returns on a general education. The evidence is mixed in this case. For example, the World Bank (1991) found that social rates of
return on pre-employment training or vocational schooling differed by country and according to economic conditions. Returns were high (from 12% to 25%) in Brazil, Botswana, the Republic of Korea, and Thailand but were very low in Bangladesh, Cameroon, and Togo. A more recent study (Hanushek, Woessmann, and Zhang 2011) also found the advantage of vocational education over general education differing among countries over the entire life cycle – the balance in lifetime earnings was higher for vocational education in Switzerland but for general education in Denmark and Germany.

Part of the reason, however, that the returns on vocational training do not equal the returns on general education in some studies could be that there are distortions in the labor market, preventing “true” wages (reflecting market needs) from being revealed. In some countries, for example, anticipated shortages of skilled labor and/or problems associated with dealing with organized labor in general have led to the use of costly labor-saving methods, which reduces the demand for skilled labor. Where demand exists – such as for information technology skills – wages have skyrocketed. Another reason could be that vocational education may have attracted poor students in the first place, or the training provided may have been of poorer quality than general education, resulting in poor work performance and low wages. Given the rapid growth of some economies in Asia and their need to develop a much larger manufacturing base and modernized services sector than exists at present, one would expect the social returns on vocational education to be very high.

Other reasons for uneven enrollment include the higher risk associated with vocational education compared to general education, from the point of view of the students, and the higher cost of providing technical education than general education, from the point of view of both students and providers (whether public or private). By its very nature, vocational education tends to be more specialized, focusing on specific trades and industries, and with changes in the structure of demand for goods and services – resulting from international competition, for instance – the demand for skills may change quickly. Although general education enables graduates to move relatively easily from one general category of work to another, this is not easily done by technically skilled workers. A properly functioning labor market would factor into the wage structure of skilled workers the costs of risks and periods of lost wages during periods of unemployment. Hanushek, Woessmann, and Zhang (2011) found that vocational graduates in Europe, particularly apprentices, may quickly find jobs and are paid as well as or better than generalist employees, but that total lifetime payments to vocational graduates are lower because they face more difficulties in finding new jobs or have shorter working lives. Rigidities in the labor markets are often due to inappropriate wage setting in the public sector, which dominates the labor markets in developing countries. Conversely, proper public sector wage policies, reflecting social needs and factoring in risks and other variables, could be a solution to this problem.

In addition to wage policies, the type of vocational education provided could be altered to enable graduates to more easily change jobs. Pupils might be trained on
basic competencies common to several jobs rather than narrowly focused training in a single specialized trade. There could in fact be a hierarchy of vocational training providers, with those at the base level providing core competencies for a variety of related trades and then more specialized institutions providing specific skills through short-duration courses.

There are also several constraints from the point of view of the vocational training provider. Private sector employers have a strong disincentive to train workers – their investment in trainees can be lost to other employers, even though there may be a gain to society as a whole. In developing Asia, in particular, private employers’ capacity may be limited, and this is also the case for the private training institutions that have proliferated in many Asian countries. Given the high social returns on vocational education, the public sector will therefore still have to play a major role in vocational education in Asia. The World Bank (1991), while recognizing this, nonetheless advocated for private sector-based vocational training, given its many advantages. These advantages include closeness to industry needs, better ability to quickly adapt to changed requirements, and lower training costs, particularly for apprentices. Thus, private employers and training institutions provide an important alternative to public sector training efforts. Their capacity must be built up, high standards must be established, and their functioning must be monitored.

Although most vocational training institutions in Asia cater to the modern, organized sectors in manufacturing and services, the needs of the informal sector also are vast. As shown in Figure 7.5, informal sector employment constitutes the major part of employment in several countries, with countries in South Asia recording the highest informal employment – from 50% to 80% of total employment. Lack of proper skills may be inhibiting the growth of productivity in this sector, which remains abysmally low because, in addition to skill constraints, the informal sector also suffers from lack of access to credit and technology. Otherwise, value chains that are significant in the organized markets also exist in the informal sector. Given the intense competitiveness due to easy entry, returns are lower and more uncertain in the informal job markets. Focus is now increasingly shifting to providing vocational training particularly tailored to this sector (ADB 2007).

An important issue that must be stressed in the context of vocational education in Asia is the need to specifically focus on socially deprived groups for whom this may be a major ladder with which to climb out of poverty and deprivation. These groups include women, whose participation in non-agriculture wage employment has remained very low (Figure 7.6). An important reason that they have participated less than men is their relative lack of skills. Vocational training strategies, therefore, need to specifically target women. Other socially deprived groups that need similar targeting in vocational training programs are socially excluded people, such as those belonging to lower castes (in the South Asian context), indigenous peoples, and minorities. These groups tend to be overlooked, and special efforts must be made to include them within the ambit of vocational training programs.
Current situation and future directions

The broad-brush and simple description of skills, value chains, and job markets in Asia and the Pacific indicates that human resources have played an important role in facilitating the Asian miracle. It still has a long way to go, and certain challenges are now putting pressure on this model. Since the 1990s, the achievements of the PRC and the intended skills program in India suggest that these countries will continue to pursue a model of development in which skilled human resources play an important role. Human resources are these countries’ biggest assets, and they are going to deploy them to create value.

In this context, an important question to be considered relates to the still unfolding effects of the global economic and financial crisis of 2008 and the extent to which the relocation of the manufacturing sector in developing countries is likely to continue. Many industrialized countries are facing high levels of unemployment. Hollowing out industries and relocating these in developing countries in the future may not continue without close scrutiny by industrialized economies, especially when those countries are themselves facing the prospect of jobless recovery. On the other hand, the pressure on wage levels in developing countries, in addition to pressure on foreign exchange rates, is likely to dampen the differential advantage of low-priced skills. For instance, in the PRC and India, wages have been growing rapidly, especially in the export sectors. If wage increases continue unabated, the future expansion of global production networks is likely to shift to other countries, such as Bangladesh and Viet Nam.

\[\text{Figure 7.5} \quad \text{Share of informal sector employment in non-agriculture/urban employment and per capita gross domestic product in selected Asian countries, various years (\%)}\]


Note: The GDP per capita figures are in constant 2000 US$ and pertain to the same year as the informal sector data.
which can supply skills in bulk at competitive prices. To negotiate these impediments, developing countries must further upgrade the skills of their workers, whether those workers are engaged in international businesses or the domestic economy, to maintain their competitive advantage and pursue growth with job opportunities.

Despite demographic transitions, a large number of youths are likely to enter the labor markets every year. The challenges thus lie in anticipating the skills likely to

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**Figure 7.6** Participation of women in non-agriculture wage employment in selected Asian countries, 2009 (%).

be in demand by the market and establishing mechanisms to produce those skills in large numbers, quickly and cheaply.\textsuperscript{16} Going beyond schooling and the quality of education, much more emphasis will need to be laid on retooling and retraining workers so that they can switch jobs in a smooth and timely fashion. In addition to the need to upgrade the performance abilities of workers, there is a need to provide employers, investors, and policy makers with clear, transparent signals about their competence.

To conclude, several broad trends during recent decades, both within and outside Asia, will continue to affect youth employment in the region in the future. Globalization enabled corporations to split their operations into smaller sections and locate them in different parts of the world, depending on their competitive advantage. This created production networks that thrived on value chains across the globe. It opened an opportunity for developing countries with an abundance of cheap and skilled human resources to participate in global production and benefit from wage premiums for workers. Asian countries also have witnessed rapid growth, resulting partly from these external influences and partly from growth in their own domestic demand.

The focus on basic education by developing countries in Asia, which was further reinforced by the goal of promoting universal basic education, imbued large swathes of the population with basic skills. As a result, some of these countries were able to participate in the global market and in the expansion of their economies to make a better living for themselves. The development of various skills helped them increase their productivity and pull millions out of poverty as large numbers of manufacturing entities moved out of the industrialized world and as a result of their own economic momentum. Skills enabled by basic education played a critical role in this transformation. The young, women, and the rural poor especially benefitted from this process. Developing countries must continue building skills by further strengthening basic and vocational education in order to maintain their competitive advantages. This style of industrialization has been operative all over the world, although relatively more in the international than in the domestic sectors.

However, this is not an unmixed picture. The presence of high levels of youth unemployment in developing economies – many times the adult unemployment rates – is indicative of the fact that young men and women are experiencing difficulty landing jobs and is an indication that jobless growth is being experienced by several of them. This could be because of the poor quality of education or because youths have not completed education to a level that the market expects – or it may simply be that they are dropouts. Whatever the cause, the presence of such people in large numbers is not only indicative of human resource wastage but also could represent a potential source of instability in some countries. Urgent steps must be undertaken to top up these youths’ schooling and prepare them for the

\textsuperscript{16} Nonetheless, forecasting models are not capable of predicting complex dynamic relationships between skills supply, skills demand, wages, and productivity; institutional arrangements affect these choices (Hilton 2008).
job market. Presently, most end up in the informal sectors of the economy, which have deficient access to skills upgrading, financing, and technology in any form. Future skills upgrading programs must support skills development for the informal sector.

As a consequence of the 2008 global economic and financial crisis which left industrialized economies with high levels of unemployment, the process of relocating jobs, which previously was an unrestrained response to skills availability, is likely to slow down as policy makers try to protect the welfare of populations in their own countries. The experience of relocating industries to the developing world has also yielded some lessons that are likely to inform future relocation decisions. These changes may require developing countries in Asia to focus more on domestic sources of demand to sustain their rapid growth, necessitating in turn changes in the structure of production, new technologies, and realignment of skills. Asian economies will need to continue to upgrade and adapt their human resources to respond to these changes.

The development of education and skills has become more important than ever before. Widespread skills development and enabling people to adjust to changes seamlessly are the marks of growing capability. As Leitch’s Review of Skills (Her Majesty’s Treasury 2006) expressed, “The best form of welfare is to ensure that people can adapt to change” (3).

References


17 ADB recognizes China by the name People’s Republic of China.


8 Gender equality and women’s empowerment in Asia
The unfinished agenda

_Eugenia McGill^1_

In recent decades, most countries of Asia and the Pacific have made substantial gains in closing gender gaps and equalizing opportunities for women and girls; however, the gains have been extremely uneven, and considerable work remains to be done to overcome entrenched gender biases and gender-based deprivations. In many countries, serious gender gaps persist in access to secondary and tertiary education, quality health care, employment and business opportunities, political participation, personal security, and access to justice. The recent food, fuel, and economic crises, as well as looming climate effects, have further complicated government efforts to make progress on the Millennium Development Goals (MDGs), including those related to gender equality, women’s empowerment, and women’s health.

At the same time, there is increasing understanding that equality between women and men is not only essential to a fair and just society but is also critically important to the well-being and prosperity of households, communities, and economies in the region. Recent studies also underscore the importance of inclusive public policies, backed by sustained resources and reinforced by broad coalitions of women’s organizations and other civil society advocates, to move the gender equality agenda forward. This chapter first discusses the interrelationship between gender equality and inclusive development, especially as reflected in the MDGs. The chapter then reviews recent trends and challenges related to gender equality, women’s empowerment, and women’s health in Asia and the Pacific. Finally, the chapter considers possible pathways to greater gender equality in the region.

**Gender, development, and the Millennium Development Goals**

Equality between women and men is a matter of fundamental rights and social justice, and this is recognized widely across Asia and the Pacific. Virtually all

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^1 Lecturer, Columbia University School of International and Public Affairs. This chapter updates research and analysis originally undertaken by the author for the report _Pursuing Gender Equality through the Millennium Development Goals in Asia and the Pacific_, which was published in 2006 by the Asian Development Bank (ADB), United Nations Development Programme (UNDP), and United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). Research assistance by Zara Rapoport is gratefully acknowledged. Any errors are the author’s.
countries in the region are parties to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), and equality between the sexes is expressly guaranteed in many constitutions and statutes. Gender equality – and the empowerment of women to fully participate in social, economic, and political life – is in itself an important public policy and development outcome and is reflected in Asian countries’ national development plans and in their specific policies and action plans for the advancement of women.

In addition to these intrinsic benefits, a large number of cross-country and country-specific studies have confirmed the instrumental benefits of gender equality for the general well-being of households, communities, and societies (United Nations Development Programme [UNDP] 2010; Ward et al. 2010; World Bank 2011). Several studies have estimated the substantial costs of gender inequality in terms of greater population growth; children’s mortality, poor health, and lower school performance; less-efficient allocation of household resources; lower economic growth; and higher levels of corruption. For example, Abu-Ghaida and Klasen (2004) estimated some of the costs to countries of not achieving gender parity in primary and secondary education by 2015, including up to 0.6 additional children per women, up to 32 additional child deaths (per 1,000 live births) annually, and an average 2.5 percentage points higher prevalence of underweight children. Other studies have estimated the development benefits of gender equality. The Food and Agriculture Organization (FAO) (2011), for example, estimated that more equal access to productive resources for female farmers could raise agricultural output in developing countries by 2.5% to 4%, which in turn could reduce global hunger by 12% to 17%.

Although gender equality is positively correlated with a number of development outcomes, the relationship between gender equality and economic growth is complex, and the relationship can run in both directions (World Bank 2011). The effect of gender equality (or inequality) on growth can depend on which measure of gender equality/inequality is used, the time frame studied, and other factors (Berik, Rodgers, and Seguino 2009; World Bank 2011). For example, Klasen and Lamanna (2009) estimated that the larger gender gaps in education and labor force participation in South Asia compared with East Asia have contributed over time to up to 1.4 percentage points lower than annual growth rates in South Asia; however, other studies have found that women’s lower wages in export industries have helped to keep production costs low and stimulate exports in export-led economies (Berik, Rodgers, and Seguino 2009).

If we consider instead the effect of economic growth on gender equality, we could expect an expanding economy to provide increased resources to improve basic services and generate employment, with potential benefits for women and girls in terms of enhanced capabilities and opportunities; however, pervasive gender biases and stereotypes can weaken or negate these anticipated benefits, and increases in cash income and access to technology can even have perverse gender effects. Perhaps the most dramatic example of gender inequity in the midst of rapid economic growth in Asia is the phenomenon of girls “missing” at birth in the People’s Republic of China (PRC) and India. In both countries, improvements
in basic health care have substantially improved life expectancy for both women and men; however, a strong traditional preference for sons, combined with more accessible and affordable ultrasound technology, has led to increasing instances of antenatal sex selection. In 2008 alone, an estimated 1.35 million girls were missing at birth in these two dynamic economies, representing 95% of all girls missing at birth worldwide in that year (World Bank 2011). For similar reasons, Viet Nam, another vibrant economy, is also experiencing skewed sex ratios at birth, with the largest distortions in the top income quintiles (United Nations Viet Nam n.d.). Economic growth clearly is not a sufficient condition for increasing gender equality. Changes in gender norms – as reflected in laws and government policies, markets, media, community and household practices, and other institutions – are also essential (UNDP 2010; World Bank 2011).

Despite countries’ formal commitments to gender equality, and the demonstrated benefits to societies and economies, gender discrimination remains pervasive throughout Asia and the Pacific. There have been general advances in several areas, including women’s life expectancy, basic education and literacy, and economic activity. Women’s organizations and movements in the region have been creative and resourceful in promoting women’s empowerment through grassroots initiatives and law and policy changes, and were a major presence at the Fourth World Conference on Women in Beijing in 1995; however, gender gaps persist in access to education and quality health care, employment and business opportunities, political participation and decision making, personal security, and access to justice, and there are significant variations across and within countries.

The United Nations (UN) Millennium Declaration, endorsed by the world’s governments in September 2000, committed to addressing gender inequities in several areas in order to reduce poverty, hunger, and disease and to promote more sustainable development. It also included time-bound targets to achieve equal access at all levels of education, to reduce maternal mortality by three-quarters, to combat all forms of violence against women, and to implement CEDAW. The MDGs that were subsequently developed to implement the Millennium Declaration capture most of these commitments but have been widely criticized for their narrow approach to gender issues. In particular, the only target for the gender equality goal (Goal 3) relates to education, although the indicators for Goal 3 also cover employment and national decision making. In addition, the gender-related health goal (Goal 5) is limited to maternal health, and the original target focused only on maternal mortality, although a second target, for universal access to reproductive health, was added in 2007. In the original MDGs, only two other goals – Goal 2 on education and Goal 6 on HIV/AIDS and other diseases – included gender-specific or sex-disaggregated indicators, although revisions made in 2007 specify that all indicators should be sex disaggregated as far as possible. There are still no goals or targets corresponding to the original Millennium Declaration commitments to combat violence against women and to implement CEDAW.

In recent years, there have been a number of efforts to develop more comprehensive measures of progress on gender equality and women’s empowerment, including the expansion and refinement of individual indicators
and the development of new indexes such as the UNDP’s new Gender Inequality Index (Gaye et al. 2010; Grown 2008). These measures typically try to capture the multiple dimensions of equality – for example, in terms of capabilities, economic opportunities, decision making, security, and rights. Developing satisfactory measures of women’s empowerment has been especially challenging, in part because of the different understandings of “empowerment.”

Despite their limitations, the gender-related MDGs continue to be tracked and reported on by most developing countries, including those in Asia and the Pacific. There is widespread agreement, however, that Goals 3 and 5 need to be broadly interpreted within the much broader frameworks of CEDAW and the Beijing Platform for Action – the outcome document from the Fourth World Conference on Women. Indeed, the World Summit in 2005 and the MDG Summit in 2010 both endorsed this broader view of gender equality, women’s empowerment, and women’s health.

At the same time, the gender dimensions of all of the other MDGs need to be recognized and monitored (United Nations Development Fund for Women [UNIFEM] 2004). As the UN Millennium Project and others have pointed out, the MDGs are interdependent. Countries are unlikely to make meaningful progress in reducing poverty, improving children’s access to education and quality health care, reducing the burden of infectious diseases, or improving access to safe water and improved sanitation unless they take into account the different vulnerabilities of poor women and men and the sociocultural and other conditions that limit poor women’s and girls’ access to basic services.

Encouragingly, several countries in Asia and the Pacific have localized the MDGs, including Goals 3 and 5, to better reflect the progress they have already made in several areas and the more ambitious targets they have set in their national development plans (Asian Development Bank [ADB], UNDP, and Economic and Social Commission for Asia and the Pacific [ESCAP] 2006). Some countries also have been tracking subnational progress by caste/ethnicity, as well as by sex, to better capture the variations across different segments of their populations. Thailand, for example, has established more ambitious national and provincial MDG+ targets (Government of Thailand 2009).

The following section discusses trends in Asia and the Pacific related to the gender-specific MDGs – Goals 3 and 5 – but within the broader framework of

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2 In the development context, women’s empowerment is commonly understood to mean the ability to make strategic choices and decisions (Kabeer 2005). Even assuming agreement on this general definition, differences still exist as to whether women’s empowerment should be viewed as a process or an outcome, as an individual or a collective change, as something that must be initiated from within or that can be catalyzed from outside, as a general shift or one limited to a particular domain such as economics or politics, and as a universal phenomenon or one that is context specific (Eyben and Napier-Moore 2009; Golla et al. 2011; Pathways of Women’s Empowerment 2012; Schuler, Islam, and Rottach 2010).

3 The Beijing Platform outlined twelve critical areas of concern, including poverty, education, health, violence, armed conflict, economy, power and decision making, human rights, media, environment, and the particular needs and vulnerabilities of girls.
gender issues outlined in the World Summit and MDG Summit, and as discussed in recent MDG progress reports and other reports from the region.

Regional trends and challenges

The region’s overall performance in promoting gender equality, women’s empowerment, and women’s health, as indicated by Goals 3 and 5, has been mixed. This is reflected most clearly in the tracking analysis undertaken for the latest regional MDG progress report (ESCAP, ADB, and UNDP 2012), which found that most countries are early achievers or on track in narrowing gender gaps in educational enrollments (Goal 3, Target 3a); however, most countries are making slow progress and therefore are off track in reducing maternal mortality and providing universal access to reproductive health (Goal 5, Targets 5a and 5b). When all of the indicators for Goal 3 are considered – including non-agriculture wage employment and representation in national parliaments – the picture is even more mixed. Moreover, even on-track national indicators mask wide disparities between urban and rural areas, with the least progress found in remote rural and conflict-affected areas, and among disadvantaged ethnic minority groups and castes, internally displaced people, and migrants.

Drawing conclusions about a region’s or a country’s progress on gender equality and women’s empowerment based solely on the MDG 3 target – eliminating gender disparities in education – is highly problematic. Although equal access to quality education is a key component of Goal 3, it is not in itself an adequate indicator of gender equality or women’s empowerment. Countries such as the Maldives and Sri Lanka have achieved close to gender parity in educational enrollments (or higher enrollment of girls than boys), but this has not translated into high levels of economic and political participation for women. Any assessment of progress under Goal 3 should, at a minimum, take into account all of the Goal 3 indicators as well as the Goal 5 indicators, together with their methodological limitations. In their own assessments of progress on Goal 3, many Asian countries have gone farther and have considered women’s access to land and credit; gender segregation and gender wage gaps in employment; increases in women’s informal sector work and migration; increasing HIV infections among women; the prevalence of trafficking, domestic violence, and other forms of violence against women; the lingering effects of the food, fuel, and global economic crises; and emerging effects of climate change. All of these considerations are relevant.

Education

The benefits of education are widely understood in terms of expanding individual capabilities and opportunities, and numerous studies document the spillover benefits of educating girls, which translate to later positive effects on the health and education of their children. Secondary and higher levels of education provide the highest returns for women’s empowerment in terms of employment opportunities and effect on age of marriage, fertility, and health as well as the
health and education of their children, especially girls (UN Millennium Project 2005a). Therefore, achieving gender equality in education is a major focus of the MDGs. Indeed, eliminating gender disparity in education is the only time-bound target for Goal 3, and also is the earliest target for any of the MDGs. (Gender parity in elementary and secondary education should have been reached by 2005, with gender parity at all levels by 2015.)

With a few exceptions, countries in Asia and the Pacific have already achieved gender parity – or a reverse gender gap favoring girls – in enrollments at the primary and secondary levels, and a substantial number of countries have reached parity or reversed the gap at the tertiary level. At the primary level, only Afghanistan, Nepal, Pakistan, and Papua New Guinea are off track, with Afghanistan having the lowest ratio (0.67). These countries, together with Cambodia, India, the Lao People’s Democratic Republic (Lao PDR), and the Solomon Islands, are also off track at the secondary level, and Afghanistan again has the lowest ratio (0.49). The regional variation in enrollment ratios at the tertiary level is much wider, ranging from a low of 0.24 for Afghanistan to a high of 2.40 for the Maldives. A much larger number of countries are off track at this level, including Bangladesh, Bhutan, the Republic of Korea, Sri Lanka, Tajikistan, Timor-Leste, Uzbekistan, Viet Nam, and Vanuatu; however, an equally large number of countries have more women than men enrolled in tertiary education (ESCAP, ADB, and UNDP 2012).

Although these results are very encouraging, they must be interpreted with caution. In countries that have recently closed the gender gap in enrollment, there remain large numbers of women who have never attended school and are functionally illiterate. More than half of all women in Nepal ages 15 to 49 have never attended school, and 70% of the PRC’s illiterate adults are women (Government of the PRC 2010; Government of Nepal 2010). Even in countries that have achieved parity at a national level, gender gaps persist in rural and remote areas and in poor and marginalized communities. Despite progress, the Lao PDR has seen the gender gap persist in rural areas, in the highlands and poorest districts, and among non-Lao–Thai ethnic groups, and the gender gap has actually widened at higher levels of schooling (Government of the Lao PDR 2009). The PRC has achieved gender parity at all levels but is facing challenges in reaching the children of internal migrant workers (Government of the PRC 2010).

 Enrollment ratios also do not reflect the level of girls’ and boys’ enrollments, nor their levels of attendance and completion, which are often much lower. Achieving gender parity in enrollments under Goal 3 is obviously less meaningful if the enrollment levels for both girls and boys are low, or if large numbers of girls are dropping out of school or not continuing to the next level. Some countries with large gender gaps in primary and secondary enrollments also have low net enrollment rates and even lower completion rates for girls. In Pakistan, for example, only 60% of girls are enrolled at the primary level, and a smaller percentage of girls complete primary school, with only 29% of girls enrolling in secondary school (United Nations Educational, Scientific and Cultural Organization [UNESCO] 2011).
Low enrollment and completion rates are especially dramatic at the secondary level. According to available data, more than three-quarters of girls in Afghanistan and about two-thirds of girls in Cambodia, the Lao PDR, Pakistan, and the Solomon Islands are not enrolled in secondary school. Even countries that have reached gender parity or have reversed gender gaps in primary and secondary enrollments nevertheless have low enrollment and/or completion rates for girls. The Marshall Islands, which has achieved gender parity in enrollment at all levels, has a lower primary enrollment rate for girls (80%) than the Lao PDR, and its secondary enrollment rate for girls (54%) is also low. Bangladesh has been extremely successful in closing the gender gap in primary and secondary enrollments and in raising primary enrollment levels for both girls and boys, but only 63% of its girls complete primary school and only 43% continue to secondary school, with even lower levels for boys (UNESCO 2011).

For many countries in the region, the unfinished agenda on education includes reaching the girls (and boys) still out of school, whether because of their remote location, poverty, migrant status, disability, or other form of marginalization. For countries that have rapidly increased girls’ primary and secondary school enrollments, the further challenge is to improve the educational experience for girls and to address the factors that still lead large numbers of them to drop out, especially between the lower secondary and upper secondary levels. This will require greater attention to the recruitment of female teachers, the quality of teacher training and supervision (including training on gender-inclusive teaching styles), the revision of textbooks and teaching materials that perpetuate gender stereotypes, and the encouragement of girls to consider a wider range of future occupations. Social pressure for early marriage still prevails, especially in the rural areas of several Asian countries, and this calls for special efforts to persuade community leaders and parents of the benefits of continued education for adolescent girls. Education policies and regulations also may prohibit married adolescents from attending secondary school. These policies and regulations must be reexamined.

As noted, several countries in the region have achieved reverse gender gaps in enrollment at the tertiary level; however, even in these countries, MDG progress reports note strong patterns of gender tracking in the selection of courses at the tertiary level, with women concentrating in education and health courses and men predominating in science and engineering. This gender tracking at the tertiary level only perpetuates and reinforces the gender segregation and gender wage gaps in the workplace, discussed next. The unfinished agenda on education, therefore, also involves proactive strategies to encourage more young women to pursue technical and professional training in male-dominated fields where there are higher economic returns.

**Employment**

Women’s participation in wage employment can provide independent income, autonomy, and status within the family. A number of studies also have demonstrated that women are more likely than men to spend their income on
basic household expenses such as food, education, and health care, and therefore women’s paid employment can provide substantial benefits to households, and children in particular (UN Millennium Project 2005a). For these reasons, women’s representation in non-agriculture wage employment was included as an indicator of progress on Goal 3.

However, the limitations of this indicator must be borne in mind. First, it excludes the vast majority of women in developing countries who are agricultural workers, unpaid family workers, or self-employed. In Asia, for example, 48% of working women are in agriculture and 68% of working women are unpaid family workers (including workers on family farms) or are self-employed (International Labour Organization [ILO] and ADB 2011). Second, the indicator provides no information about the sectors in which women are working, their wages or level of responsibility relative to men, or their working conditions. Finally, the indicator does not capture the unpaid household work that most women continue to do in addition to their income-generating activities. Nevertheless, data on women’s paid work outside of agriculture provide an indication of the changes in women’s economic activities in the region.

The share of women in non-agriculture wage employment worldwide increased from 35% in 1990 to about 40% in 2009, although the trend slowed in 2008–2009 due to the global economic crisis. In Asia and the Pacific, the greatest increase has been in South Asia, though less than 20% of South Asian women were in wage employment by 2009. The female wage employment rates are much higher in North and Central Asia (45%), East Asia (42%), Southeast Asia (38%), and the Pacific (36%), although these reflect only modest increases from 1990 levels (United Nations 2011). These subregional rates also mask wide variations among countries. In South Asia, for example, female wage employment rates range from 14% in Nepal to 31% in Sri Lanka. Armenia, Azerbaijan, Bangladesh, Fiji, the Kyrgyz Republic, the Maldives, and Tajikistan also have seen recent declines in female wage employment, with the sharpest drop in the Maldives (from 41% in 2000 to 30% in 2008) (United Nations 2012).

It is also important to consider the sectors where women are working, their wages and levels of responsibility relative to men, and their working conditions. As noted, 48% of Asian working women are in agriculture, with the rest in services (34%) and industry (18%) (ILO and ADB 2011); however, across all of these sectors, more than two-thirds of working women are either unpaid family workers or self-employed (both classified by the ILO as vulnerable employment). Only 30% of working women are wage or salary workers, and only 1% of working women own businesses with paid employees. Within industry and service sectors, Asian women are also hampered by strong patterns of horizontal gender segregation in employment (with women concentrated in low-paying subsectors such as garment manufacturing, education, and health) as well as by vertical gender segregation (with most women in lower-level jobs or self-employed and relatively few at management levels).

These patterns in female wage employment reflect domestic social norms within countries, which continue to limit women’s economic opportunities despite
gains in women’s education. These structural factors help to explain the gender wage gaps in virtually all countries in the region, but there are also persistent wage gaps between women and men in similar trades and professions. In Bangladesh, for example, women earn only 50% of men’s wages for similar work, whereas women in Mongolia earn 80% of men’s wages (ESCAP, ADB, and UNDP 2011). Significant pay gaps also extend to the informal economy, where women predominate in lower-paying domestic work, street vending, and casual or piece-rate work for labor-intensive manufacturing chains.

The global economic crisis appears to have had a disproportionate impact on Asian women, particularly when considering the ripple effects on informal sector workers and households and longer-term structural changes in Asian economies (ILO and ADB 2011). The immediate effects of the 2008 crisis in Asia included layoffs and reduced work hours in labor-intensive export industries, construction, and tourism. Although men were disproportionately affected by layoffs in construction and heavy manufacturing, women suffered disproportionately from layoffs in the garment sector and other light manufacturing. These included over 20,000 jobs lost in Philippine export-processing zones and 30,000 garment industry jobs lost in Cambodia and Sri Lanka (UNDP 2010). There were even more profound effects on informal sector workers because casual and piece-rate workers were the first to be laid off by manufacturing chains and many “regular” factory jobs were converted to temporary or casual jobs. As retrenched formal sector workers took up piecework, street vending, and other informal jobs in some countries, competition among informal workers was heightened (Horn 2010). At the same time, women, as primary caregivers, shouldered much of the effect of the crisis on households, taking on additional work, selling assets, or foregoing health care to pay school fees and other household expenses and dealing with increased domestic tension and violence.

It is worrying that, as Asian economies have rebounded, wage employment seems to be contracting in several countries – by 9% in the Philippines and close to 8% in Sri Lanka – and unemployment rates for women are falling much more slowly than for men (ILO and ADB 2011). These trends are confirmed by several recent MDG progress reports that document drops in women’s wage employment, including reports from the Government of Armenia (2010), the Government of Bangladesh (2009), the Government of Fiji (2010), the Government of the Maldives (2010), the Government of Tuvalu (2011), the Government of Vanuatu (2010), and UNDP Kyrgyzstan (2010). The latest Government of Sri Lanka (2010) report also notes that the unemployment rate for educated women is now three times higher than the rate for educated men. The shrinkage of formal sector wage employment and increasing employer reliance on temporary and part-time workers are problematic for the “decent work” agenda underlying MDG 1, Target 1b (achieve full and productive employment and decent work for all) because this also reduces the number of secure jobs that carry health, pension, and other benefits. It is particularly troubling for female workers, who are already over-represented in the informal sector. This trend underscores the urgent need for more active and gender-equitable labor market policies in the region, as well as
the strengthening and expansion of social protection schemes to include informal sector and migrant workers.

**Political participation**

Participation in public decision making is considered another important indicator of women’s empowerment, both individually and collectively, as well as being essential to social justice and meaningful democracy. Women’s participation in elected bodies also has been linked to improvements in the implementation of government programs and reduced levels of corruption (UN Millennium Project 2005a). In local government, the presence of more female elected officials has led to greater participation by local women in village meetings, greater alignment of public expenditures with women’s preferences, increased reporting and prosecution of crimes against women, and the expansion of girls’ aspirations to challenge traditional norms in their own lives (World Bank 2011). Women’s opportunities to influence public decision making are considered greater at the local level but are difficult to monitor across countries because of limited data. Therefore, women’s representation in national parliament, for which data are generally available, has been included as a proxy for women’s political participation under Goal 3. Women’s presence in national parliaments does not guarantee that they will be able to influence national policy. Nevertheless, this measure provides some indication of a political system’s openness to women’s voices.

No target was established for this indicator under Goal 3, but governments did commit, in the Beijing Platform for Action, to aim for gender balance in all government bodies, building on an initial target of 30% women’s participation set earlier by the UN Economic and Social Council. With respect to women’s participation in national parliaments, the world as a whole is clearly off target at about 20%, but at the end of 2011 Asia (at about 18%) and the Pacific (at about 12%) were even farther behind (Inter-Parliamentary Union 2011). If Australia and New Zealand are excluded, the representation of women in Pacific parliaments drops sharply to about 3%, which is the lowest regional average in the world. In contrast, only one Asian country, Nepal, exceeds the global target – over 33% of its national parliament are women. Timor-Leste has almost reached the target, with slightly over 29%, followed by Afghanistan, with almost 28%. Other Asian countries that have met or exceeded 20% representation include Bangladesh, Cambodia, the PRC, the Kyrgyz Republic, the Lao PDR, Pakistan, the Philippines, Uzbekistan, and Viet Nam. At the other end of the spectrum, four Pacific countries (Federated States of Micronesia, Nauru, Palau, and the Solomon Islands) have no women parliamentarians at all, and the Marshall Islands, Papua New Guinea, Tonga, Tuvalu, and Vanuatu have only one each.

The Asian countries with the highest rates of women’s representation in national parliaments tend to be countries that have introduced gender quotas for party lists or reserve seats for women (including Afghanistan, Bangladesh, the Kyrgyz Republic, Nepal, Pakistan, and Uzbekistan) or one-party states (including the PRC, the Lao PDR, and Viet Nam). The success in Cambodia, the Philippines, and
Timor-Leste, however, seems mainly due to the grassroots advocacy of women’s organizations in partnership with national ministries of gender or women’s affairs. Notably, the three countries with the highest female representation in national parliaments – Afghanistan, Nepal, and Timor-Leste – are all conflict-affected or post-conflict countries.

About one-third of countries in Asia and the Pacific have some form of gender quota for political participation, resulting in an average female representation rate of more than 20%, compared with an average of about 14% for countries without quotas (UNDP 2010). These include several Central Asian countries that had removed Soviet-era quotas in the 1990s but reintroduced them in recent years after seeing women’s representation in national parliaments plummet to as low as 1% (in the Kyrgyz Republic). Women’s representation in these countries, however, is still well below Soviet-era levels. Even in countries with relatively high levels of women’s representation, female parliamentarians tend to be excluded from the most powerful committees and are channeled mainly into committees dealing with social sectors and women’s and children’s affairs. In Asia and the Pacific, women also hold an extremely low percentage of ministerial posts, even on social and cultural affairs, compared with other regions. For example, women head only about 2% of infrastructure ministries in the region, compared with 10% in Africa and about 21% in Latin America and the Caribbean. Women head only about 13% of social and cultural ministries in the region, compared with about 50% in Africa and higher percentages in other regions (UNDP 2010).

Women’s representation in locally elected bodies is similarly varied, but cross-country comparisons are more difficult because of the heterogeneity of subnational governance systems in Asia and the Pacific. Based on available data, United Cities and Local Governments Asia-Pacific et al. (2010) estimated that the average representation of women in subnational governments in the region ranges from 37% in India to less than 1% in Tonga. As is true nationally, countries with gender quotas or reserved seats for women locally (including Afghanistan, Bangladesh, India, and Pakistan) tend to have the highest local participation rates; however, even without formal quotas, women in Cambodia, the PRC, Indonesia, Mongolia, the Philippines, and Viet Nam are active in one or more levels of local government, and in some cases this extends to leadership positions in local government. Recent MDG progress reports also document women’s increasing presence in local government. For example, 30% of village chiefs in Cambodia and 33% of regional representative councilors in Indonesia are women.

Women’s representation in civil service also varies widely across the region. In Bangladesh, Nepal, and Pakistan, for example, women in the recent past represented less than 10% of civil servants, compared with over 50% in Malaysia, the Maldives, the Philippines, Thailand, and Tuvalu. Women generally hold much smaller percentages of executive positions in government. In Thailand, for example, only 22% of senior government positions are held by women compared with more than 60% in the civil service generally (Government of Thailand 2009). At the high end, women in Malaysia, Mongolia, and the Philippines hold one-third – or more – of senior civil service positions.
Health

Women’s health is an essential capability and also is closely linked to the well-being of children and other family members. Despite substantial investments in health interventions by governments, donors, and nongovernment organizations, women in many countries across Asia and the Pacific continue to suffer high rates of death or disability associated with childbirth, respiratory and water-borne diseases, malnutrition and anemia, and increasing rates of HIV infection. The MDGs take a fragmented approach to women’s health, with the main focus being on maternal health (Goal 5). Most of the other goals implicitly support women’s and girls’ health, including Goal 1 (eradicate extreme poverty and hunger), Goal 4 (reduce child mortality), Goal 6 (combat HIV/AIDS, malaria, and other diseases), and Goal 7 (ensure environmental sustainability, including access to safe drinking water and sanitation). Conspicuously absent from the original MDGs was any goal or target directly addressing women’s sexual and reproductive health, although this is a core element of women’s general health and also is critical to women’s control over their own lives. In response to recommendations from the UN Millennium Project and others, a second target was added to Goal 5 in 2007 – to achieve universal access to reproductive health.

A life-cycle approach would seem to be a more useful lens through which to review trends in girls’ and women’s health, and this is the approach taken in recent reports on the MDGs and gender equality (UNDP 2010; World Bank 2011). In particular, the World Development Report 2012 (World Bank 2011) analyzes the problem of missing women and girls worldwide across the life cycle, and identifies the different factors that are driving the excess deaths of girls and women in many developing countries at different life stages – at birth, in infancy and early childhood, and during their reproductive years. Because the health-related MDGs are discussed in detail in other chapters, this section will briefly review recent trends related to reducing excess female mortality in Asia and the Pacific.

The phenomenon of missing girls at birth, most likely due to antenatal selection, is a particularly serious problem in the PRC and India, and to a lesser extent in Armenia, Azerbaijan, Viet Nam, and a few other Asian countries. By one estimate, over 1.4 million girls worldwide were missing at birth in 2008; 1.35 million of these were missing in Asia, with the vast majority missing in the PRC and India (World Bank 2011). Rooted in persistent norms of preference for sons, the rate of sex-selective abortions in these countries has been accelerated by the spread of affordable ultrasound technology. Both the PRC and Indian governments have introduced various programs to criminalize the use of ultrasound for sex selection and to provide incentives for parents to have girls, but this has not yet had a major effect on sex ratios at birth. However, the positive experience of the Republic of Korea in raising the status of girls and reducing sex selection practices provides hope that similar progress can be made in the PRC, India, and other countries.

The problem of missing girls in infancy and early childhood is also significant in Asia and the Pacific and is reflected in skewed girl-to-boy mortality ratios for children under age 5. On the basis of biological factors, the ratio of girls’ to boys’
deaths would ordinarily be much less than 1, but several countries in the region have ratios higher than 1, including the PRC (1.41), India (1.10), Pakistan (1.08), and Federated States of Micronesia, Nepal, and Tonga (1.07 each) (ESCAP, ADB, and UNDP 2011). Of an estimated 617,000 missing girls under age 5 in 2008, more than 400,000 were missing in Asia (World Bank 2011). Strong patterns of son preference and neglect of young girls are often cited to explain girls’ higher mortality rates in these countries; however, the World Development Report 2012 suggests that developing countries’ higher female mortality rates in early childhood are more likely the result of the high incidence of infectious diseases related to lack of clean water, sanitation, and drainage. In support, the report notes that excess female mortality among infants and young children in Bangladesh, the PRC, and Viet Nam has been declining as those countries have improved access to clean water and better sanitation. Historical evidence of similar experience in developed countries provides additional support. This further highlights the strong linkages among the MDGs – in this case, among Goal 3, Goal 4 (reduce child mortality), and Goal 7 (ensure environmental sustainability, including access to safe drinking water and sanitation).

Excess mortality and health-related disabilities among women of reproductive age also persist in Asia and the Pacific. An estimated 140,000 women in the region died in 2008 from complications associated with pregnancy and childbirth (ESCAP, ADB, and UNDP 2012). Moreover, for every maternal death, it is estimated that 30 to 50 additional women suffer debilitating complications from pregnancy or childbirth (UN Millennium Project 2005b). This translates to between 420,000 and 700,000 women suffering pregnancy or birth-related complications in Asia and the Pacific each year. These sobering figures explain the strong MDG focus on maternal health under revised Goal 5, including not only the reduction of maternal mortality but also the expansion of access to reproductive health care. Because the direct tracking of maternal deaths is fraught with methodological problems, the expanded indicators under revised Goal 5 provide a fuller picture of reproductive health conditions in a particular country, including the contraceptive prevalence rate, the unmet need for family planning, antenatal care coverage, the proportion of births attended by skilled health personnel, the adolescent birth rate, and the maternal mortality ratio. Not surprisingly, low maternal mortality ratios are highly correlated with high rates of antenatal care and skilled health personnel at birth, the use of contraceptives for birth spacing, and a low rate of adolescent births (which are generally riskier).

As noted, ESCAP, ADB, and UNDP (2012) have predicted that Asia and the Pacific as a whole will not meet the two targets under Goal 5 by 2015 – reducing the maternal mortality ratio by three-quarters (from 1990 levels) and providing universal access to reproductive health care. All but a few countries are expected to miss the maternal mortality target, although a larger number are expected to achieve high levels of antenatal care and skilled birth attendance. Based on the latest available data, 13 countries in the region have maternal mortality ratios of 200 per 100,000 live births or more, with the highest ratio by far in Afghanistan (1,400). Afghanistan also has the highest reported national maternal mortality
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ratio in the world; 1 in 11 women in the country die during childbirth (World Bank 2011).

Virtually all MDG progress reports note wide variations between maternal mortality rates in urban areas and those in rural areas, with extremely high mortality rates in some remote provinces or areas and challenges in reaching internal migrants and some ethnic and caste groups. In Bangladesh, for example, the national maternal mortality rate has dropped from 870 in 1990 to 340 per 100,000 live births in 2008; however, there are still wide variations across income levels and between urban and rural areas, related to access to contraceptives, antenatal care, and skilled birth attendance (Government of Bangladesh 2009). The Bangladesh report also mentions the effect on maternal mortality of gender-based violence and greater salinity in the water (due to climate change).

MDG progress reports also note other trends affecting women’s health. Bangladesh and several other countries report continuing problems of malnutrition, anemia, and iodine deficiency in women, but Thailand notes that its iodine supplement program for pregnant women has already reduced the deficiency level from 71% in 2002 to 59% in 2008 (Government of Thailand 2009). Kazakhstan reports disparity in the regional allocation of funds for health care, which is leading to the use of formal and informal user fees (Government of Kazakhstan 2010), whereas the Fiji report mentions the strain on the health care system created by the heavy emigration of skilled health personnel to other countries (Government of Fiji 2010).

Virtually all countries in Asia and the Pacific have much more work to do to reduce the number of missing girls and women. The Republic of Korea’s success in reducing antenatal selection of boys, and Malaysia’s and Sri Lanka’s successes in significantly reducing their maternal mortality rates decades ago, provide concrete examples from which other countries in the region could learn.

Other gender issues

Recent MDG progress reports and other reports on gender trends in Asia and the Pacific highlight a number of additional issues that should be considered in assessing progress on gender equality and women’s empowerment in the region (ADB, UNDP, and ESCAP 2006; UNDP 2010; World Bank 2011). In particular, these include gender-based violence, repercussions from the food/fuel and economic crises, and climate change.

Gender-based violence

Gender-based violence – including domestic violence, sexual assault and sexual harassment outside the home, and trafficking of women and girls – is a major source of female death and disability in the region and a major contributor to women’s disempowerment. Although it is not reflected in a global MDG target or indicator, the problem of gender-based violence was recognized as a critical concern in the Millennium Declaration and outcome documents from the 2005 World
Summit and the 2010 MDG Summit, and it is discussed in most of the recent MDG progress reports. According to recent reports, about two-thirds of women in some Pacific countries have been assaulted by a male partner, and similar statistics are found in some countries in South and Southeast Asia (ESCAP, ADB, and UNDP 2011). In a study conducted by Viet Nam’s General Statistics Office in 2010, about one-third of married women reported suffering domestic violence at some point in their lives (United Nations Viet Nam n.d.). The Government of Fiji (2010) has estimated the cost of gender-based violence to be around F$300 million annually, or about 7% of Fiji’s gross domestic product. More than half of the countries in Asia and close to 40% of Pacific countries have enacted laws against domestic violence (ESCAP, ADB, and UNDP 2011), and MDG progress reports refer to several new or proposed laws on the issue. These are encouraging developments, but much more work will need to be done to change both men’s and women’s attitudes toward domestic abuse, to effectively enforce the new laws on gender-based violence, and to provide appropriate support for survivors of violence or abuse.

**Repercussions of the food/fuel and economic crises**

As discussed, the global economic slowdown negatively affected both women and men in the region, particularly those working in export industries, construction, and tourism. Informal sector workers, including casual and part-time workers in export industries, were hit especially hard because they were the first to be laid off and lacked any form of social protection. Women’s employment, especially in formal sector jobs, still has not recovered, and formal wage employment opportunities for women seem to be shrinking in some countries. In rural Asia, the economic crisis only deepened the hardship already experienced by households as a result of food and fuel price hikes in 2008. Recent analysis suggests that the food price hikes in 2011 have put further stress on rural households (ADB 2011). Given their important role in agriculture and their heavy household responsibilities, rural women in Asia are likely to continue to cushion their families from the effect of these crises by taking on additional work, migrating for work, incurring additional debt, and rationing their own health and food expenditures. The vulnerabilities exposed by the recent series of crises in the region, especially for rural households and informal and migrant workers, increase the urgency to strengthen food security and social protection schemes and to establish social protection floors for informal and migrant workers, especially women.

**Climate change**

Coastal countries such as Bangladesh, Cambodia, and Viet Nam, as well as Pacific and other island countries, already suffer considerable loss of life and economic damage as a result of annual typhoons and other weather events. These losses are only expected to intensify as a result of climate change. Several recent MDG progress reports note the potential negative effects of climate change,
including gender-related effects. For example, the Government of Bangladesh (2009) reported on the effect of increased water salinity on maternal mortality, while the Government of Cambodia (2010) noted the risks to women’s livelihoods posed by climate change, especially in fisheries. The Government of the Philippines (2010) also expressed concern about the lack of women’s representation in climate talks and discussed the need for indigenous women to adapt to climate change by developing new crops and protecting water resources. Recent research on typhoons in the Philippines also finds increased female infant mortality rates years after typhoon events, most likely related to the reduced health care expenditures of affected households, which has further implications for climate events (Anttila-Hughes and Hsiang 2012). Finally, there is increasing awareness of the ways in which natural disasters and climate change can affect women and men differently – especially poor women and men – and of the different coping and adaptation mechanisms that women and men can use in response (UNDP 2009; United Nations International Strategy for Disaster Reduction, UNDP, and International Union for Conservation of Nature 2009). These insights need to be more fully incorporated in future climate initiatives in the region.

Future directions

There have been substantial gains over the past two decades in closing gender gaps and expanding opportunities for women and girls in Asia and the Pacific; however, the gains have been extremely uneven and the agenda is far from accomplished. Recently, the UN Millennium Project (2005a), United Nations Development Programme (2010), and the World Bank (2011) each proposed gender-equality agendas for the years ahead, and these share a number of themes relevant to Asia and the Pacific (see Table 8.1). Taken together, these proposals provide a general framework for future action, including regional and national agendas to pursue gender equality beyond 2015. However, any national gender road map must be tailored to address local gender priorities and challenges.

The strategic priorities outlined in Table 8.1 are to a great extent already reflected in the national gender action plans of most countries in Asia and the Pacific, as well as in specific initiatives that governments, development agencies, civil society organizations, and others are already undertaking in the region (ADB, UNDP, and ESCAP 2006). Although countries in Asia and the Pacific face a number of challenges to the achievement of gender equality, they also are home to some of the world’s most innovative and successful strategies for narrowing gender gaps and empowering women. These successes provide positive models for other countries and communities to adapt and follow. Meaningful progress, however, will require strong political will and policy support; the involvement of broad coalitions, including women’s organizations and networks; and adequate resources to implement the agreed-upon changes and programs.

One additional area that should be addressed, especially in the wake of the recent food, fuel, and economic crises in Asia and the Pacific, is the strengthening of national and community social protection schemes. As noted, these crises
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<td>Capabilities</td>
<td>• Strengthen opportunities for post-primary education for girls</td>
<td>• Make content of education and access to it more gender equal</td>
<td>• Increase access to education among severely disadvantaged populations</td>
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<td></td>
<td>• Guarantee sexual and reproductive health and rights</td>
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<td>• Improve public health (including clean water, sanitation, waste removal, and vector control)</td>
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<td>• Increase access to specialized maternal services</td>
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<td>• Strengthen prevention and treatment of HIV/AIDS</td>
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<td>Economic opportunities</td>
<td>• Eliminate gender inequality in employment</td>
<td>• Craft economic policies to support gender equality</td>
<td>• Increase access to child care and early childhood development programs</td>
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<td>• Invest in infrastructure to reduce women’s and girls’ time burdens</td>
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<td>• Invest in rural women</td>
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<td>Political voice</td>
<td>• Increase women’s share of seats in national parliaments and local governmental bodies</td>
<td>• Boost political participation of women at all levels</td>
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<td>Personal security</td>
<td>• Combat violence against women and girls</td>
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<td>• Shift norms on domestic violence</td>
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<td>Rights</td>
<td>• Guarantee women’s and girls’ property and inheritance rights</td>
<td>• Pursue gender-equitable laws</td>
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<td>• Address legal discrimination and close gaps between laws and legal practice</td>
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<td>Advocacy and communication</td>
<td>• Mobilize change agents</td>
<td>• Foster new attitudes</td>
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<td>Institutional support and learning</td>
<td>• Improve data and indicators to monitor progress</td>
<td>• Collect better data and strengthen capacity for gender analysis</td>
<td>• Generate new information</td>
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<td>• Strengthen technical capacity and institutional structures (including accountability mechanisms) to support change</td>
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<td>• Facilitate knowledge sharing and learning</td>
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<td>Intergenerational change</td>
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<td>• Invest in adolescent boys and girls</td>
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McGill revealed the cracks and gaps in existing patchworks of social safety net programs across the region, and the disproportionate effect on women of social protection gaps. In response to the crises, many countries in the region introduced economic stimulus packages, often including steps to bolster existing social safety net programs or to provide one-time cash transfers or other assistance (Guina 2009; McGill 2010). These stimulus packages, however, reflected little explicit attention to the gender-differentiated effects of the crises.

In response to the recent crises, several countries in the region have now initiated processes – or accelerated plans already under way – to reassess and strengthen their social protection schemes. At the global level, the Social Protection Floor Initiative, supported widely by the United Nations, civil society organizations, and many others, also has advocated that governments introduce more comprehensive social protection “floors,” including basic income security and universal access to affordable basic services (Social Protection Floor Advisory Group 2011).

In its recent report, the Social Protection Floor Advisory Group (2011) noted a number of initiatives already taken by Asian countries to establish social protection floors, including Thailand’s universal health care scheme, Indonesia’s conditional and unconditional cash transfer programs, and India’s Mahatma Gandhi National Rural Employment Guarantee Scheme, which has achieved almost 50% participation of women with a negligible gender wage gap. In addition, India’s new social insurance scheme is already being extended to street vendors, domestic workers, and other informal sector workers, who are predominantly women.

At the same time, concerns have been raised that some conditional cash transfer programs may actually increase women’s time burdens and reinforce traditional gender roles in terms of child-care responsibility (Molyneux and Thomson 2011). In response, the Philippine government, with support from ADB, is taking steps to complement its conditional cash transfer program with additional support services for women and is monitoring the gender impacts of the program (ADB 2010).

In strengthening their social protection systems, therefore, it will be extremely important for countries in Asia and the Pacific to pay attention to the particular needs and constraints of women, especially those working in the informal sector and migrant workers. Policy makers and advocates also must ensure that the social protection schemes support and empower women and do not inadvertently impose additional burdens or reinforce traditional gender roles.

Despite gains in Asia and the Pacific, gender discrimination persists across all areas of social, economic, and political life and is reinforced through a wide range of institutions, including households, communities, markets, and governments. Continuing efforts to narrow gender gaps in the region, therefore, should be pursued on multiple tracks, with careful attention to the gender context and particular challenges in each country. Because further progress toward gender equality will involve changes in entrenched social norms, greater effort should also be made to work through broad coalitions of stakeholders, including government, the private sector, women’s organizations, and other civil society actors.
Gender equality and women’s empowerment

References


4 ADB recognizes China by the name People’s Republic of China.


United Cities and Local Governments Asia–Pacific (UCLG ASPAC), United Nations Development Programme (UNDP), Commonwealth Local Government Forum, and


This chapter identifies three major challenges for ending health deprivations in Asia: lagging health outcomes, inequity, and the level and pattern of public expenditure.

Despite rapid economic growth in much of Asia, important health outcomes are lagging. Nearly half of global childhood deaths from diarrhea occur in Asia; 16 Asian countries are judged to be making slow progress in reducing maternal mortality; and more than half of the world’s stunted children – a sign of chronic undernutrition – live in Asia. This is a problem because good health outcomes are intrinsically valuable, and a human right. Good health outcomes also contribute to economic productivity and free up money that otherwise would be spent on treating illness. Failure to adequately improve basic health outcomes despite decades of economic growth means that some health systems in Asia now face a double burden: an unfinished agenda of reducing undernutrition, maternal and infant deaths, and infectious diseases and a simultaneous need to respond to the growing challenge of expensive-to-treat noncommunicable diseases (NCDs) such as diabetes, cancer, and heart disease. The first section of this chapter elaborates.

The second theme identified in the chapter is disparities and inequity in health care access and outcomes. The poor have greater health needs but often less access to essential services of reasonable quality, and ultimately, to good health.

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5 A health inequity can be defined as “inequalities in health status, risk factors, or health service utilization between individuals or groups that are unnecessary, avoidable, and unfair” (World Health Organization, 1998, 4). It therefore involves notions of fairness and justice. A health disparity means an unequal opportunity, treatment, quality, or outcome status. This may or may not involve inequity. As one report notes, “What is unequal is not necessarily inequitable” (Carter-Pokras and Baquet 2002, 427). See also Kawachi, Subramanian, and Almeida-Filho (2002).
Ending health deprivations

Outcomes. Variations within countries are large and growing. For example, under-5 mortality in Yogyakarta, Indonesia, is comparable to that of higher-income Saudi Arabia, but in outlying provinces, the rate is closer to that of Togo and Senegal in sub-Saharan Africa. Social determinants of health — education, gender, caste, and geography — are as important as income poverty in explaining the inequities. The second section of this chapter elaborates.

The third theme of this chapter is that the level and pattern of public expenditure on health is not well suited to current or future health challenges. Expenditure is low in much of Asia on any measure: total per capita expenditure on health in Southeast Asia is $47 per person — almost half what it is in sub-Saharan Africa. Government expenditure on health is also low. As a result, what little is spent on health in Asia comes directly out of pocket, representing a barrier to essential care for the very poor and a source of impoverishment and inequity for others. An estimated 105 million people suffer financial catastrophe, and over 70 million are impoverished each year in Asia through paying for health care. Expensive-to-treat NCDs such as cancers will exacerbate these problems unless action is taken now. Asia thus faces the paradox of having to simultaneously increase the level of public expenditure for its unfinished agenda on health while also preparing now for cost-containment strategies in health. The third section elaborates.

Fortunately, Asia is ultimately well placed to manage these challenges if it takes decisive action now. This chapter identifies five strategic interventions. First, governments could and should continue to increase the level of public health expenditure, focusing on the poor and vulnerable. Second, development partners should continue to increase their support for health but should focus more on strategic health burdens and the poor. Third, governments and their development partners should increasingly draw on recent evidence-based analyses of proven interventions to improve health outcomes for the poor and vulnerable while simultaneously strengthening health systems. Fourth, governments and their development partners should exploit the often large scope for using what resources countries have more efficiently and effectively. Fifth, Asian countries can generate regional and global public goods in health, including efforts to reduce counterfeit drugs and pandemics. The fourth section of this chapter elaborates.

Poverty and health outcomes in Asia

Countries in Asia may now be middle income, but poverty and health burdens have continued. Asia is still the center of gravity for world poverty. Despite enormous progress, 855 million people in Asia still lived on less than $1.25 per day in 2008 (the latest year for which data is available), more than twice as many as the 386 million doing so in sub-Saharan Africa (Chen and Ravallion 2012). Furthermore, an estimated 1.78 billion people in Asia lived on less than $2 per day in 2008 and are therefore vulnerable to falling into, or deeper into, absolute poverty. Nearly three-quarters (72%) of all people living on less than $2 per day now live in Asia, more than three times the number living on less than $2 per day in sub-Saharan Africa. A noticeable recent feature of international development
is that more than 70% – up to a billion – of the world’s poorest people, or a
“new bottom billion,” live in middle-income countries, most of which are in Asia
(Sumner 2011). The distribution of the burden of disease has, in some impor-
tant instances, also shifted to the middle-income countries, which as a group has
larger burdens related to vaccine-preventable disease, HIV, and tuberculosis than
do low-income countries (Glassman, Duran and Sumner 2011). Despite rapid eco-
nomic growth, Asia has been less successful in reducing non-income poverty and,
especially, some basic health indicators. This is apparent when reviewing progress
on the health-related Millennium Development Goals (MDGs), arguably the most
widely accepted measure of international progress on health.6

Reducing under-5 mortality (Millennium Development Goal 4)
The latest research shows a mixed picture with respect to reducing under-5
mortality (MDG 4) in Asia. Despite some remarkable achievements, nearly half
(47%) of global childhood deaths from diarrhea occur in Asia, and five of the top
ten countries for diarrhea deaths are in Asia.7 India has an estimated 386,000 such
deaths – more than two and a half times that of the next ranked country, Nigeria
(United Nations Children’s Fund [UNICEF] and the World Health Organization
[WHO] 2009). Eleven developing countries in Asia are judged to be making only
slow progress in reducing child mortality, including populous countries such as
Afghanistan, the People’s Republic of China (PRC), India, Indonesia, Pakistan,
and the Philippines (Economic and Social Commission for Asia and the Pacific
[ESCAP], Asian Development Bank [ADB], and United Nations Development

Maternal mortality (Millennium Development Goal 5)
Progress in reducing maternal mortality (MDG 5) also shows a mixed picture.
Bhutan and the Maldives are judged to be early achievers in reducing the rate
of maternal mortality, and the PRC and Viet Nam are judged to be on track.
From 2000 to 2010, maternal mortality in Mongolia fell from 166 to 46 deaths
per 100,000 live births (ESCAP, ADB, and UNDP 2012). Other Asian countries
have made substantial reductions, albeit over longer periods.8 Nevertheless, the

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6 Further background on the Millennium Development Goals can be found at http://www.un.
org/millenniumgoals.

7 The latest estimates, using the United Nations MDG database, suggest that Bangladesh has reduced
its under-5 mortality rate from 143 per 1,000 live births in 1990 to 48 per 1,000 live births in 2008;
Cambodia has reduced its rate from 121 to 51 per 1,000; Indonesia from 85 to 25 per 1,000; Nepal
from 141 to 50 per 1,000; and the Lao People’s Democratic Republic (Lao PDR) from 145 to 54 per
1,000 live births (ESCAP, ADB, and UNDP 2012). Six Asian developing countries are judged to be on
track to achieve the MDG 4 target of reducing under-5 mortality by two-thirds: Bangladesh, the Lao
PDR, Malaysia, Nepal, Thailand, and Viet Nam. Three are judged to be early achievers: the Maldives,
Mongolia, and Timor-Leste.

8 Bangladesh reduced its maternal mortality ratio from 870 to 340 deaths per 100,000 live births over
the period 1990–2008; Cambodia reduced its ratio from 690 to 290 deaths per 100,000 live births;
latest assessment of MDG progress found that 16 developing countries in Asia\(^9\) are judged to be making slow progress on MDG 5 (ESCAP, ADB, and UNDP 2012). Other recent estimates conclude that around 112,710 maternal deaths occurred in Asia in 2011, around 41% of all maternal deaths globally (Lozano, Wang, Foreman et al. 2011).

**An important underlying cause: malnutrition**

Undernutrition, captured to a degree by MDG 1, contributes to more than one-third of all deaths of children under age 5 globally (UNICEF 2012).\(^10\) The latest figures show that, despite decades of rapid economic growth, malnutrition remains a major and stubborn problem in Asia, especially in South Asia. The numbers are high: Asia had more than twice as many underweight children as Africa in 2010 – 71 million compared to 24 million (WHO 2011d). But rates are high too: one-quarter of children in Southeast Asia and almost half (46%) in South Asia are underweight (United Nations 2010). The latest research finds a troubling disconnect between poverty reduction and the persistence of hunger. The percentage of people in developing countries who are hungry has plateaued at 16% despite significant reductions in extreme income poverty (United Nations 2011a). Micronutrient deficiencies are also a substantial challenge in Asia (UNICEF 2012).

Of arguably greater concern – because it reflects chronic nutritional deficiencies, often aggravated by illnesses, and is harder to correct – is stunting, or low height for age.\(^11\) Stunting is also associated with poor longer-term outcomes.\(^12\) Rates of stunting are high in parts of Asia. Afghanistan has the highest prevalence of stunting in children under age 5 in the world (59%). More than half (54%) of children in Timor-Leste are stunted and almost half of all children are stunted in Bhutan, India, the Lao PDR, and Nepal (49% in Nepal and 48% in the other countries) (UNICEF 2009). The rates are high, and so are the absolute numbers. As Table 9.1 shows, six of the 10 countries with the largest numbers of stunted children are in Asia.

India from 570 to 230 per 100,000; Indonesia from 620 to 240 per 100,000; and Viet Nam reduced its ratio from 170 to 56 maternal deaths per 100,000 live births (ESCAP, ADB, and UNDP 2012).

\(^9\) Afghanistan, Bangladesh, Cambodia, the Republic of Korea, India, Indonesia, the Lao PDR, Malaysia, Myanmar, Mongolia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand, and Timor-Leste.

\(^10\) MDG 1 aims to eradicate extreme poverty and hunger. Target 1c is to halve, between 1990 and 2015, the proportion of people who suffer from hunger. The indicator to assess this is the percentage of underweight children under age 5, where “underweight” is defined as the percentage of children up to the age of 59 months who are below minus 2 standard deviations from median weight-for-age as defined in the World Health Organization’s child growth standards.

\(^11\) Technically, stunting occurs when a child’s height (or length) compared to his or her age is 2 or more standard deviations below the median defined by the WHO Child Growth Standard 2007 (UNICEF 2012).

\(^12\) Stunting is linked to children starting school late and to failure to complete primary education. Stunting at age 2 is associated with a reduction in schooling of almost one year, with a 16% increase in risk of failing at least one grade (UNICEF 2012).
Table 9.1 Prevalence of stunting among children

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Country</th>
<th>Stunting prevalence (%)</th>
<th>Number of children moderately or severely stunted (2008) (millions)</th>
<th>Percentage of developing world total (n = 195 million) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td>48</td>
<td>60.7</td>
<td>31.2</td>
</tr>
<tr>
<td>2</td>
<td>People’s Republic of China</td>
<td>15</td>
<td>12.6</td>
<td>6.5</td>
</tr>
<tr>
<td>3</td>
<td>Nigeria</td>
<td>41</td>
<td>10.1</td>
<td>5.2</td>
</tr>
<tr>
<td>4</td>
<td>Pakistan</td>
<td>42</td>
<td>9.8</td>
<td>5.1</td>
</tr>
<tr>
<td>5</td>
<td>Indonesia</td>
<td>37</td>
<td>7.6</td>
<td>3.9</td>
</tr>
<tr>
<td>6</td>
<td>Bangladesh</td>
<td>43</td>
<td>7.2</td>
<td>3.7</td>
</tr>
<tr>
<td>7</td>
<td>Ethiopia</td>
<td>51</td>
<td>6.7</td>
<td>3.5</td>
</tr>
<tr>
<td>8</td>
<td>Democratic Republic of the Congo</td>
<td>46</td>
<td>5.3</td>
<td>2.8</td>
</tr>
<tr>
<td>9</td>
<td>Philippines</td>
<td>34</td>
<td>3.6</td>
<td>1.9</td>
</tr>
<tr>
<td>10</td>
<td>Tanzania</td>
<td>44</td>
<td>3.3</td>
<td>1.7</td>
</tr>
</tbody>
</table>


These worrying figures should not mask the fact that progress is being made in parts of Asia. The latest research finds that the PRC, Mongolia, and Thailand are early achievers in reducing the proportion of underweight children, and that Afghanistan, Bangladesh, Cambodia, the Maldives, and Viet Nam, despite high starting points, are on track to do so — that is, they are expected to meet their country target by 2015 (ESCAP, ADB, and UNDP 2012). One recent study also found that the proportion of stunted children in Bangladesh fell from 68% in 1990 to 43% in recent years, one of the fastest rates of decline for a low-income country (Save the Children 2012).

A particularly important issue for Asia is maternal undernutrition. Maternal nutrition is important for the mother in its own right: short maternal stature and iron deficiency anemia contribute to at least 20% of maternal deaths (WHO and UNICEF 2010). But a recent series in The Lancet found that the period from pregnancy to 24 months of age is a crucial period for an infant and can set in motion possibly irreversible longer-term physical and cognitive effects that can last a lifetime for the infant. In a landmark paper, Victora et al. (2008) analyzed long-term data from five countries, including India and the Philippines. They found that indices of maternal and child undernutrition (maternal height; birth weight; intrauterine growth restriction; and weight, height, and body mass index at 2 years old, according to the new WHO growth standards) were related to adult outcomes (height, schooling, income or assets, offspring birth weight, body mass index, glucose concentrations, and blood pressure). A subsequent study in the same series noted that “undernourished children are more likely to be below average height when they reach adulthood, to have lower educational achievement, and to give birth to smaller infants than are those who are nourished adequately. Maternal and
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child undernutrition is also associated with lower economic status in adulthood, with effects that spill over to future generations.” (Bryce et al. 2008, 510).

These are important findings when, for example, a quarter of children in South Asia have a low birth weight (<2.5 kilograms) – double the 12% rate in sub-Saharan Africa (Save the Children 2012). In India, 21.5% of babies are born with low birth weight (Government of India 2011). Poor maternal and antenatal nutrition is also associated with increased risk of subsequent NCDs such as cardiovascular and heart disease in the offspring (Godfrey, Gluckman, and Hanson 2010; Gluckman et al. 2008; Langley-Evans 2001) and/or diabetes (Yajnik and Deshmukh 2008) in the offspring. The latest research also finds an association between obesity and diabetes in the mother and neurodevelopmental problems, including possibly autism, in her offspring (University of California 2012).

Modern family planning (Millennium Development Goal 5b)

Access to modern family planning (MDG 5b) is also mixed in Asia. Following the 2005 World Summit, universal access to reproductive health was added to MDG 5, being seen as not only a valuable outcome in its own right but also as contributing significantly to reductions in maternal and newborn mortality.13 Despite measurement difficulties, there are some striking findings for Asia. East Asia, even excluding the PRC, has the highest contraceptive prevalence rate (76.8%) and the lowest adolescent birth rate (4.5 births per 1,000 women ages 15 to 19 years) of any region in the developing world. Yet South Asia has a contraceptive prevalence rate of 54%, below the global developing country average, and an adolescent birth rate of 53 births per 1,000 women (70.6 births per 1,000 women when India is excluded). Southeast Asia fits in between, with a contraceptive prevalence rate of 62% and an adolescent birth rate of 44 births per 1,000 women. The range among individual countries within Asia is also striking. Thailand has a contraceptive prevalence rate, using modern methods, of 80% – a higher rate than even Australia, Canada, Sweden, or the United States – whereas in Timor-Leste the rate is only 7% and in Afghanistan the rate is only 15% (United Nations Population Fund 2010).

Infectious diseases (Millennium Development Goal 6)

Asia has a reasonably positive situation with respect to infectious diseases (MDG 6). Arguably one of the most significant and welcome developments – both for Asia and the world – was the February 2012 WHO decision to confirm that India had been removed from the list of countries with active transmission of endemic polio. This means that only three countries have never stopped indigenous wild polio virus transmission (though two – Afghanistan and Pakistan – are

13 The indicators to be monitored are the contraceptive prevalence rate, the adolescent birth rate, antenatal care coverage (at least one visit and at least four visits), and the unmet need for family planning.
from Asia) (WHO 2012). The situation with respect to HIV and AIDS is mixed. The latest Joint United Nations Programme on HIV/AIDS (UNAIDS) (2011) report notes, “Although the rate of HIV prevalence is substantially lower in Asia than in some other regions, the absolute size of the Asian population means it is the second largest grouping of people living with HIV. In South and Southeast Asia, the estimated 270,000 [230,000 to 340,000] new HIV infections in 2010 was 40% less than at the epidemic’s peak in 1996. In India, the country with the largest number of people living with HIV in the region, new HIV infections fell by 56%” (8).

More than 2.2 billion people are at risk of malaria in Asia; this is more than two-thirds of the global total. Of the 10 countries with the largest populations at risk from malaria, six are in Asia. The latest reports (WHO 2011e) indicate that nine developing countries in Asia reduced the number of confirmed cases of malaria by more than 50% from 2000 to 2010. India, with the largest number of malaria cases in the region, has reduced confirmed cases by 28% over the decade to 2010. There is little change in Indonesia. Bangladesh, Cambodia, Myanmar, and Timor-Leste show increases in confirmed cases, but some of this could also reflect better detection and reporting. Artemisinin-resistant malaria is a concern in Mekong countries and therefore, potentially, the world.

The most recent reports find several encouraging developments with respect to tuberculosis (TB), a communicable disease that disproportionately affects the poor. Dramatic results are now apparent in the PRC: from 1990 to 2010, TB prevalence rates were halved, mortality rates fell by almost 80%, and TB incidence rates fell by 3.4% per year. Incidence rates have also fallen significantly in Cambodia, India, and the Philippines (WHO 2011b). India’s Revised National Tuberculosis Control Programme “having made a huge public-health contribution by expanding basic directly observed therapy, short-course services to cover 100% of the Indian population – no mean feat in a country of 1.2 billion people. The programme has also successfully met the Stop TB targets for case detection and cure” (Pai 2012, 263).

On the other hand, challenges remain. Eleven of the 22 high-burden TB countries in the world are in Asia, and the PRC still accounted for 40% of the world’s notified cases of TB in 2010 (WHO 2011b). Over 2 million cases of tuberculosis occur every year in India, with nearly 1,000 deaths every day (Pai 2012). The latest reports suggest little reduction in incidence over the period 1990 to 2010 in Afghanistan, Bangladesh, Indonesia, Pakistan, Myanmar, and Viet Nam. The emergence of drug-resistant TB also imposes large health and economic costs for developing countries. One recent study noted that it costs

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14 In rank order, these are India, the PRC, Indonesia, Bangladesh, Viet Nam, and the Philippines (Roll Back Malaria Partnership 2012).
15 In alphabetical order, these are Bhutan, the PRC, the Republic of Korea, the Lao PDR, Nepal, the Philippines, Sri Lanka, Thailand, and Viet Nam.
16 In alphabetical order, these are Afghanistan, Bangladesh, Cambodia, the PRC, India, Indonesia, Myanmar, Pakistan, the Philippines, Thailand, and Viet Nam.
as much to cure one patient of extensively drug-resistant TB as it does to cure 200 patients of susceptible TB, yet fewer than 1 in 10 cases of resistant TB are currently detected and even fewer are treated (Nugent, Back, and Beith 2010).

**Noncommunicable diseases**

Population growth, aging, tobacco use, and urbanization will also drive a global increase in NCDs, especially in developing countries, imposing financial and economic costs on households and governments. NCDs are not specifically captured by the MDGs.\(^{17}\) There has been significant recognition in recent years, however, that many developing countries are already facing a substantial health, and financial, burden through the rise of NCDs (see, for example, Bloom et al. 2011; Dans et al. 2011; Robinson and Hort 2011; WHO 2006; WHO 2010a; WHO 2011a; and WHO 2011c), culminating in the UN’s High Level Meeting on Prevention and Control of Noncommunicable Diseases in September 2011.

The implications of NCDs for health outcomes (and health budgets) are true for Asia as well. One recent study found that 203 million people in Asia already have diabetes – 13 times more than the number in sub-Saharan Africa – and this is expected to grow to 309 million by 2030 (International Diabetes Federation 2011). WHO (2010a) projections indicate that by 2020, global NCD-related deaths will be concentrated in WHO’s Western Pacific region (12.3 million) and Southeast Asia region (10.4 million). Recent research also found that “In most countries the poorest people have the highest risk of developing chronic disease yet are least able to cope with the resulting financial consequences” (Abegunde et al. 2007, 1929). Furthermore, modeling suggests the rise of NCDs will mean significant economic losses for all developing countries, including those in Asia (Table 9.2).

**Table 9.2** Projected losses from noncommunicable diseases in Asia by 2015

<table>
<thead>
<tr>
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</tr>
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<tbody>
<tr>
<td>India</td>
<td>1.35</td>
<td>1.96</td>
<td>16.68</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>1.01</td>
<td>1.84</td>
<td>13.81</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.33</td>
<td>0.53</td>
<td>4.18</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.15</td>
<td>0.21</td>
<td>1.72</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.12</td>
<td>0.18</td>
<td>1.49</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.08</td>
<td>0.14</td>
<td>1.14</td>
</tr>
</tbody>
</table>

Source: Abegunde et al. (2007).

\(^{17}\) NCDs mainly comprise cardiovascular disease, cancer, chronic respiratory disease, and diabetes. Maternal and newborn mortality are usually the result of noncommunicable causes (hemorrhage, asphyxia, etc.) but are not usually classified as an NCD per se.
Some of the factors that drive these NCDs will be unavoidable; others will be preventable. Aging and the associated incidence of certain NCDs (and mental health issues such as dementia) are significant but largely unavoidable factors. There were an estimated 414 million people aged 60 and above in Asia in 2010, but this is estimated to increase to 1.25 billion by 2050. In that year, there will be an estimated 332 million people age 65 years or older in the PRC – equivalent to the world’s entire older population in 1990 (Beard et al. 2012). Singapore and Thailand have among the fastest-aging populations in the world, with the proportion of elderly residents projected to double, from 7% to 14%, in 19 years in Singapore and in 22 years in Thailand – shorter than the 26 years expected for Japan (Chongsuvivatwong et al. 2011). Yet other factors that drive NCDs are potentially amenable to good public policy. Tobacco control is an obvious prevention strategy for NCDs and is discussed later in this chapter. But other influences are important too. Urbanization – clearly evident in most of Asia – is associated with more sedentary lifestyles; good city planning can make cities more conducive to regular exercise. Diets are changing too – pricing policies and regulation of the use of sugars, salt, and saturated fats can help lower the risk factors for NCDs.

The rise of NCDs will put additional – but also new and different – strains on existing health systems and financing. One recent analysis noted that health systems in lower-middle-income countries have been largely structured around infectious diseases, maternal and child health, and acute care, with an emphasis on hospital- and population-based services (such as immunization days, for example). However, the chronic nature of NCDs means that patients need long-term sustained health services from a range of different health professionals, long-term sustained drug supplies, and capacity to manage technologically intensive diagnosis and treatments (Robinson and Hort 2011). The latest research also found that prevention and management of NCDs will be a litmus test in low- and middle-income countries for all six key elements of a health system: financing, workforce, information, governance, service delivery, and products and technology (Samb et al. 2010). But such countries cannot expect donor funding at the levels they have received to respond to communicable diseases such as HIV, TB, and malaria. Despite NCDs accounting for half of the disease burden in low- and middle-income countries, only 2.3% ($503 million) of overall development assistance for health was dedicated to NCDs. The costs to households and governments of responding to mental health issues, particularly with aging populations, are also likely to be high (Dixon et al. 2006).

Asia thus faces a double burden: an unfinished agenda of controlling undernutrition and infectious diseases and a simultaneous need to address a new and significant increase in NCDs (Asian Development Bank [ADB] 2011). This also means that many countries in Asia face the paradox of having to lift public expenditure on health from currently low levels (see next section) while simultaneously preparing for better cost control in health as expensive-to-treat NCDs make their effects on health budgets felt.

Asia exhibits extremes when it comes to some of the other MDGs that interact with health. On the one hand, Asia as a region has made enormous progress
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with respect to improving education coverage (ESCAP, ADB, and UNDP 2012; United Nations 2011a). This is important, given the well-known positive, two-way interactions between education – especially for girls – and health. Improved health can act as a multiplier of the MDG outcomes in education and poverty reduction. Other MDGs also interact with health. Almost half of the 2 billion people who have gained access to drinking water since 1990 live in the PRC and India (UNICEF and WHO 2012).

On the other hand, access to safe drinking water and improved sanitation (MDG 7) – also important for health – remains a major challenge. The latest reports show that access to improved sanitation is a particular problem. Indeed, the United Nations (2011a) notes that at the current rate of progress, it will take until 2049 to reach the 2015 sanitation target globally. Over 1.8 billion people in Asia still need access to improved sanitation (ESCAP, ADB, and UNDP 2012).

Deprivation and inequity in Asia

Running throughout this overview of MDG progress in Asia is the pervasive issue of disparity and inequity of access and outcomes, especially in fast-growing Asia. That the poor have higher health needs but less access and generally worse health outcomes than the rich has long been known (Gwatkin 2007; Victora et al. 2003; Wagstaff 2002). In a landmark study of 56 developing countries, analyzing some 120 separate indicators, Gwatkin et al. (2007) concluded that “the poor fare worse than the better-off almost everywhere and with respect to nearly every indicator covered” (6). Of particular concern is that fact that the poor gain less from primary health care than the rich, almost a quarter of a century after the Health For All and Child Survival strategies were launched with a particular focus on the poor. An even more recent study (Barros et al. 2010) involving almost 100 national surveys (Demographic and Health Surveys and UNICEF Multiple Indicator Cluster Surveys) confirms those earlier findings and summarizes the situation well:

Children from poor families are more likely, relative to those from better-off families, to be exposed to pathogenic agents; once they are exposed, they are more likely to become ill because of their lower resistance and lower coverage with preventive interventions. Once they become ill, they are less likely to have access to health services and the quality of these services is likely to be lower, with less access to life-saving treatments. As a consequence, children from poor families have higher mortality rates and are more likely to be undernourished... Except for child obesity and inadequate breast-feeding practices, all the other adverse conditions analyzed were more prevalent in children from less-well-off families. (1)

Other factors compound these inequities. Recent work by the World Bank (Wagstaff 2012) suggests that inequalities in the quality of care may be even larger than inequalities in the coverage, or quantity, of care. Inequities also tend to cluster; those with inequitable access to health services often have inequitable
access to education, potable water, sanitation, and other factors contributing to good health.

Even where overall progress occurs, inequity can increase. UNICEF (2010) recently examined 26 countries globally where national under-5 mortality rates have declined by 10% or more since 1990. In 18 of the 26 countries examined, the gap between child mortality rates of the richest and the poorest quintiles has either grown or has remained unchanged. In 10 of those 18 countries, the gap had risen by at least 10%. The latest United Nations (2011a) report on the MDGs confirms that, although much progress has occurred, progress is often slowest among the poor. It notes, for example, that in South Asia “there was no meaningful improvement among children in the poorest households in the period between 1995 and 2009, while underweight prevalence among children from the richest 20% of households decreased by almost a third” (14). Furthermore, improvements in sanitation disproportionately benefited the better off in three large South Asian countries over the period 1995 to 2008, whereas sanitation coverage for the poorest 40% of households hardly increased.

Recent analysis (ESCAP, ADB, and UNDP 2012) sheds light on the enormous range of health outcomes between and within countries of Asia. For example, under-5 mortality in Afghanistan is estimated at 199 per 1,000 live births of both sexes in 2009, but the rate is 24 deaths per 1,000 live births in Viet Nam. There also are wide disparities within countries. For example, the under-5 mortality rate in Yogyakarta, Indonesia, is 20 per 1,000 live births – a rate similar to that found in much wealthier countries such as Saudi Arabia and Turkey – whereas the rate is closer to 100 per 1,000 live births in Sulawesi Barat, Indonesia – a rate closer to that of Senegal or Togo in sub-Saharan Africa. Similar results hold for access: 96% of women in the PRC have access to skilled birth attendance at the time of delivery, but only 14% of women in Afghanistan have such access. Again, variations within countries are also large. Approximately 90% of women in Manila, the Philippines, have access to skilled birth attendance, whereas only 20% of women in parts of Mindanao do, a rate similar to Chad in Africa. National averages clearly mask in-country variations. The overall national average of skilled birth attendance in Timor-Leste was 30% in 2009, but rates within the country ranged from 10% of births to 70%. The study also provides the latest analysis on inequity trends in Asia over time. It shows that health disparities have been reduced for HIV prevalence in Asia but have increased with respect to underweight children, infant and under-5 mortality, maternal mortality, and TB incidence and prevalence.

The ESCAP, ADB, and UNDP (2012) study also updates the analysis of the underlying causes of health inequity within Asia. It finds that, although economic growth is associated with reducing income-level poverty, economic growth still has a much smaller effect on health outcomes, including the incidence of underweight children and maternal and child mortality. In other words, economic

\[ \text{18 Specifically, for every 1% increase in per capita gross domestic product, the overall regional poverty headcount ratio decreased by 0.92.} \]
growth by itself, as rapid as it is in much of Asia, cannot be relied upon to make rapid inroads into some of the most fundamental measures of human life.

The social determinants of health – that is, the societal relations and factors that influence health and health systems beyond income poverty – are helpful in explaining this situation. Michael Marmot, chairman of the WHO Commission on Social Determinants of Health, notes that poverty is not the only explanation for inequality of health outcomes. Child mortality may indeed be highest among the poorest households, but there is also a social gradient: the higher the socioeconomic level of the household, the lower the mortality rate. Furthermore, even relatively low-income areas – such as the state of Kerala in India – have better average health outcomes than comparable states, suggesting that elements other than income or poverty are influential (Marmot 2005). Seven-year-old boys from the lowest percentile in India, for example, not only have lower average height than their richer counterparts in India but also much lower height than their equivalent counterparts in other countries (Figure 9.1).

Other factors outside of the health system specifically are also important in explaining health disparity and inequity. Gender remains an important factor in Asia. Progress is occurring in some places. Bangladesh has seen gender disparities in immunization coverage virtually disappear thanks to measles vaccination programs (WHO and UNICEF 2010). However, there is still a clear association

Figure 9.1 Height variation among 7-year-old boys.

Source: Adapted from Martorell and Habicht (1988), as cited in Rajivan (2008).

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19 One approach identifies the following as social factors influencing health: the social gradient, stress, early life, social exclusion, work, unemployment, social support, addiction, food, and transport (Marmot 2005).
between a country’s progress with respect to gender equity and reductions in under-5 mortality (Figure 9.2).20

Rural/urban differences also determine deprivation and inequity. For example, 30% of births in rural Pakistan are attended by a skilled health professional, compared to 60% in urban Pakistan (WHO 2011d). Could rural roads help solve the problem? One recent study (ESCAP, ADB, and UNDP 2012) includes an innovative analysis showing that skilled attendance at birth rises as the extent of paved roads increases. (Interestingly, however, Bangladesh, India, Nepal, and Pakistan perform less well than might be expected, possibly because low health expenditure and other factors reduce the number of skilled birth attendants.) Cross-country data also suggests that paved roads contribute to other MDG health outcomes, including reduction in TB (MDG 6), which requires close and frequent follow-up between patient and health provider. On the other hand, rural roads can be a vector for the spread of HIV and AIDS, and for traffic accidents if they are not

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20 As is true of other figures in this chapter, this is an association or a correlation, but correlation does not necessarily mean causation. There could be other factors influencing these outcomes, the association could be purely chance, or the direction of causality (which variable influences the other) may not be known.
managed well. And, of course, even those living in urban areas can be particularly deprived. UNICEF identifies “five deprivations” associated with living in urban slums – deprivation of access to improved water, sanitation, security of tenure, durability of housing, and living space – all of which directly or indirectly affect health outcomes for poor and vulnerable families. Urbanization also involves high levels of undernutrition in slum areas, coexisting with obesity in nearby urban areas (UNICEF 2012). This is important, given that Asia is home to half of the world’s urban population and 66 out of the 100 fastest-growing urban areas, 33 of which are in the PRC alone.

Levels and patterns of expenditure on health in Asia can perpetuate poverty and disparity

The relationship between health expenditure and health outcomes is complex. This is because health outcomes are affected by many factors outside the health sector, including genetics, food security, education levels, sanitation, caste, conflict, urbanization, and lifestyle factors. Even within the health sector, weak links in the chain can lead to lower-than-expected outcomes (Filmer, Hammer, and Pritchett 1997). For all these reasons, there is generally a relatively weak association between health expenditure and health outcomes (Gottret and Schieber 2006). Indeed, one recent study (Gottret, Schieber, and Waters 2008) identifies nine developing countries, including Sri Lanka, Thailand, and Viet Nam in Asia, that achieved remarkable health outcomes despite relatively low, moderate, or average levels of per capita income, total health spending, or health spending as share of gross domestic product for their income levels. Importantly, the study noted that all nine countries from around the world, except Tunisia, invested in ways that had achieved high adult literacy, including female literacy; high immunization coverage (at least 88%); better-than-average skilled birth attendance; and at least average physician-to-population ratio (except Thailand, which is lower).

Nevertheless, expenditure levels on health are important. The latest cross-country regressions for Asia show that countries spending more per capita on health, both public and private, do tend to have better outcomes on average for under-5 mortality, maternal mortality, and incidence of underweight children, even after controlling for other factors (ESCAP, ADB, and UNDP 2012). The regressions show a correlation, and not necessarily causation. Nevertheless, an association is apparent (Figure 9.3). Even so, it is clear that some countries such as Sri Lanka, Thailand, and Viet Nam are achieving better results for under-5 mortality than would be predicted by health spending alone. This is arguably due to more efficient delivery of services within the health sector and to factors outside the health sector, such as the status of women.

There is evidence to suggest that many countries in Asia are not spending enough on health. Of course, how much a country should spend on health is a complex issue (Savedoff 2007). Much depends upon the epidemiologic and population profile of the country, the changing burden of disease, the costs of essential interventions, and the financial and other resources, including human resources,
at a country’s disposal. Nevertheless, the needs are clearly great in many countries of Asia. Bangladesh, India, and Pakistan have skilled birth attendance of less than 50%; this is an important service for reducing maternal and newborn deaths. Afghanistan and the Lao PDR need to triple or quadruple their midwifery workforce, whereas Cambodia, Myanmar, and Nepal need to double theirs (United Nations 2011b). All of this costs money.

There are some very broad benchmarks and rules of thumb that, taken together, suggest some countries are not spending enough on health. For instance, total per capita health expenditure is still low in some countries of Asia. The latest statistics show that total public and private health expenditure in WHO’s Southeast Asia region was an average of $47 per person in 2008, more than half (56%) the $83 average spent in Africa (WHO 2011d). Using purchasing power parity techniques rather than market exchange rates to reflect actual in-country costs still showed the Southeast Asian region spending less per capita on health than Africa, on average – 116 international dollars per person in Southeast Asia compared to 146 international dollars per person in Africa.21 Furthermore, more than 10 years ago the Commission on Macroeconomics and Health (2001) estimated that a health expenditure of at least $34 per person by 2007, and $38 per person by 2015, was necessary to provide a package of essential health interventions in low-income

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21 International dollars are a hypothetical unit of currency with the same purchasing power that the dollar has in the United States at a given time.
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countries; however, total expenditure on health was still below this in Bangladesh ($17), Myanmar ($12), and Pakistan ($22) in 2008 (the latest year for which data is available) (WHO 2011d). Using purchasing power parity techniques makes some difference, but even then Myanmar had a total expenditure of just 27 international dollars per capita in 2008 (WHO 2011d).

Total health expenditure as a percentage of gross domestic product is also low in many parts of Asia. WHO (2009) noted that universal coverage is usually attained when public financing of health is around 5% of gross domestic product. Yet, total health expenditure – not just government health expenditure – is below this level in 11 countries of Asia (Figure 9.4).

Government health expenditure is also low in absolute and relative terms. Government expenditure on health is important to addressing well-known market failures in health, supporting public good, and reducing inequity, though government expenditure does not necessarily mean direct government provision of services. The share of government expenditure going to health is also an important indicator of a government’s commitment to health, including the basic needs reflected in the health MDGs. Although there is no “correct” level, a commonly used benchmark originally sponsored by UNICEF and WHO is that around 15% of total government expenditure should go to the health sector (UNICEF 2008). Most developing countries in Asia are well below that level (Figure 9.5).

It is even clearer that the pattern of expenditure – especially reliance on out-of-pocket private expenditure – contributes to inequity and impoverishment in

![Figure 9.4](image_url)  
*Figure 9.4 Total health expenditure (2008).*  
*Source: World Health Organization (2011d).*

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22 Universal coverage can be defined as securing access to appropriate health-promotional, preventive, curative, and rehabilitative services for all citizens at an affordable cost (Tangcharoensathien 2011).
Asia. One of the consequences of low absolute and relative levels of government expenditure on health is that the burden of health expenditure falls on private, out-of-pocket expenditure by individuals. This is an acceptable position for those who can afford it. But out-of-pocket expenditure, particularly in the absence of insurance programs, is the most regressive form of health financing, putting most pressure on the poorest (Gottret and Schieber 2006). Asia has some particularly high levels of private expenditure (Figure 9.6). Most of this is then financed directly out of pocket and is not moderated by insurance schemes (WHO 2011d).

High levels of out-of-pocket expenditure can be a barrier to essential care and a source of impoverishment. Even small amounts of out-of-pocket expenditures for health can be a barrier to accessing essential health care for the 1.8 billion people in Asia living on less than $2 per day. Poor and vulnerable people therefore face the invidious choice of foregoing essential health care or facing possible impoverishment and debt. An estimated 105 million people in Asia suffer financial catastrophe and more than 70 million are impoverished each year through paying for health care (Xu et al. 2007). In other words, expenditure on essential health care is an independent contributor to inequity and impoverishment, undermining the achievement of MDG 1 (reductions in extreme poverty). Expenditure on maternal and child health is a particular problem because

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*Catastrophe* can be defined as spending more than 40% of household consumption expenditure, excluding food, on health; more than 25% of nonfood consumption expenditure on a household’s health; or more than 10% of total household consumption expenditure on health (Tangcharoensathien 2011).
the poor tend to have more children, who have worse health outcomes and risks, and because expenditures for health emergencies often involve large, unexpected payments. A recent analysis found that all households from the poorest decile in India and 99% of the second-poorest decile suffered catastrophic expenditures on maternal health care (Bonu et al. 2009). The situation is particularly devastating when poor people pay out of pocket to unregistered, unqualified, private practitioners and/or pay for unnecessary or counterfeit drugs – circumstances that are common in parts of Asia.

**Opportunities for increased and better-quality expenditure for health Millennium Development Goals**

Despite the many challenges, there are five reasons to be reasonably optimistic about future health financing in Asia and about improved health outcomes for the poor and vulnerable. First, many governments are increasing the level of public health expenditure, focusing on the poor and vulnerable. In September 2010, the United Nations Secretary-General launched the Global Strategy for Women’s and Children’s Health, with ambitious goals. Many countries in Asia made substantial commitments. The following provides purely illustrative examples of the

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24 The Global Strategy aims to save 16 million lives in the world’s 49 poorest countries globally by 2015, preventing 33 million unwanted pregnancies, protecting 120 million children from pneumonia and 88 million children from stunting, advancing the control of deadly diseases such as malaria and HIV/AIDS, and ensuring access for women and children to quality facilities and skilled health workers (United Nations Foundation 2012).
substance and ambition of the very public commitments made by some of the countries in Asia (United Nations Foundation 2012).

(i) Afghanistan will increase public spending on health from $10.92 to at least $15 per capita by 2020 and will increase the proportion of deliveries assisted by a skilled professional from 24% to 75%.

(ii) Bangladesh commits to doubling the percentage of births attended by a skilled health worker (from the current level of 24.4%) by 2015 by training an additional 3,000 midwives, staffing all 427 subdistrict health centers to provide round-the-clock midwifery services, and upgrading all 59 district hospitals and its 70 Mother and Child Welfare Centres as centers of excellence for emergency obstetric care services.

(iii) By 2015, Indonesia will ensure that all deliveries are performed by skilled birth attendants. This universal access intervention is aimed at reducing the maternal mortality ratio from 228 per 100,000 live births in 2007 to 102 per 100,000 live births in 2015. In 2011, at least 1.5 million deliveries by poor women will be fully funded by the government. Central government funding for health in 2011 will increase by $556 million over 2010 funding.

Of course, as always, the main task now is to ensure such commitments by all countries are implemented. The recently formed Commission on Information and Accountability for Women’s and Children’s Health will have an important part to play in that (Partnership for Maternal, Newborn, and Child Health 2012). And although the commitments from Asian countries are substantive and welcome, much more needs to be done. Total health expenditure in Southeast Asia could almost double in per capita terms and still only be on a par with the per capita spending in sub-Saharan Africa. Nor should the additional expenditure necessarily be spent on the supply side of health – buildings, staff, and medicines. The critical binding constraints to accessing essential health care may well be on the demand side – lack of awareness or the financial capacity to access care. Conditional cash transfers and similar schemes may be needed. Improved registration and regulation of the private sector – so dominant in much of Asia – is also crucial.

The second reason for some cautious optimism is that Development Assistance to Health (DAH) from Organisation for Economic Co-operation and Development partners and foundations has also increased in absolute and relative terms. Domestic resources will always be the main source of health financing in Asia. But DAH can play an important role in financing in small- and low-income Asian economies and in supporting policy reform in the larger middle-income countries. In that context, recent global increases in DAH are welcome. DAH increased from $8 billion in 1995 (in constant 2007 dollars) to $19 billion in 2006 (Lu et al. 2010). There is also a welcome focus on maternal newborn and child health, and on reproductive health.

But governments in Asia need to manage DAH carefully if it is to be effective and efficient. Recent research suggests that DAH might simply displace, rather than add to, a government’s own expenditure efforts. On average, every dollar of
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DAH to governments was associated with a reduction in domestic government expenditure on health by $0.43, globally. DAH to the nongovernment sector, however, had a positive and significant effect on domestic government health spending (Lu et al. 2010). There is also evidence that DAH is skewed to suit the priorities and interests of donors, rather than health burdens themselves, in poor developing countries. One recent analysis estimated that, globally, an average of $1,029 DAH is associated with each death from AIDS in developing countries. This is in contrast to the $60 of DAH (excluding vaccines) associated with a child death, $20 associated with a death from undernutrition, and $3.20 associated with a death from an NCD (Sridhar and Batniji 2008).

The third reason for some optimism is that there is now a wealth of recent, evidence-based analysis of proven interventions to improve health outcomes for the poor and vulnerable while simultaneously strengthening health systems more broadly. Numerous reports are now available. Much of the recent analysis points policy makers and budget planners to affordable and cost-effective interventions, even in low-income settings. Cost effectiveness is, of course, only one of several tools that planners should take into account when planning how to allocate scarce resources. Other tools and principles include overall affordability, equity, rights-based approaches to health, and political realities. Actual cost-effectiveness results vary significantly between and within countries and over time as disease burdens, costs, and the effectiveness of treatments change. Nevertheless, recent analysis does identify some potentially “good buys” for health managers. For example, the Copenhagen Consensus (2008) attracted a great deal of notice when a panel of eight leading international economists, invited to decide how to spend a notional $75 billion over 4 years to best effect, judged micronutrient supplementation for disease, especially vitamin A and zinc, as their preferred intervention out of 30 substantial proposals across numerous sectors, including but not limited to health.

Recent cost-effectiveness analysis identified strategies for maternal and neonatal health in developing countries that, if scaled up to 95% coverage, would halve neonatal and maternal deaths in key parts of Southeast Asia. The most cost-effective mix of interventions were considered to be:

- the community based newborn care package, followed by antenatal care (tetanus toxoid, screening for pre-eclampsia, screening and treatment of asymptomatic bacteriuria and syphilis); skilled attendance at birth, offering first level maternal and neonatal care around childbirth; and emergency obstetric and neonatal care around and after birth. Screening and treatment of

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25 See, for example, Balabanova, McKee, and Mills 2012; Bhushan, Keller, and Schwartz. 2002; Darmstadt et al. 2005; Evans et al. 2005; Partnership for Maternal, Newborn, and Child Health 2011; and Roberts et al. 2008.

26 Perhaps less publicized was the fact that 11 of the top 15 interventions ranked under the Copenhagen Consensus were directly health related and were ranked in preference to other, arguably more high-profile and popular interventions supporting development, such as microfinance and conditional cash transfers.
maternal syphilis, community based management of neonatal pneumonia, and steroids given during the antenatal period were relatively less cost effective in the region. Preventive interventions at the community level for newborn babies and at the primary care level for mothers and newborn babies are extremely cost effective, but the Millennium Development Goals for maternal and child health will not be achieved without universal access to clinical services as well.

(Adam et al. 2005, 1107)

Similar analysis has been done to identify cost-effective strategies for child health in developing countries. That study, again focused on Southeast Asia (and sub-Saharan Africa) found that:

cost effectiveness ratios clustered in three groups, with fortification with zinc or vitamin A as the most cost effective intervention, and provision of supplementary food and counseling on nutrition as the least cost effective. Between these were oral rehydration therapy, case management of pneumonia, vitamin A or zinc supplementation, and measles immunization... On the grounds of cost effectiveness, micronutrients and measles immunization should be provided routinely to all children, in addition to oral rehydration therapy and case management of pneumonia for those who are sick. The challenge of malnutrition is not well addressed by existing interventions.

(Tan-Torres Edejer et al. 2005, 1)

Very recent studies have emerged on strategic priorities for reducing the increase of NCDs in developing countries for reasons of health but also to avert heavy cost burdens for households and governments. These studies include WHO’s identification of “best buys” for tackling NCDs (WHO 2010b; WHO 2011c). One major study (Beaglehole et al. 2011) identified five priority interventions to reduce NCDs in developing countries around the world. The five priority interventions are tobacco control, salt reduction, improved diets and physical activity, reduction in hazardous alcohol intake, and essential drugs and technologies. The findings, published in The Lancet against the backdrop of the UN’s High Level Meeting on Prevention and Control of Noncommunicable Diseases, explain that “the priority interventions were chosen for their health effects, cost-effectiveness, low costs of implementation, and political and financial feasibility. The most urgent and immediate priority is tobacco control” (Beaglehole et al. 2011, 1438).

Tobacco control is a particularly strategic intervention for developing countries wishing to improve health outcomes in Asia. That is because tobacco undermines the development process in four ways. First, it causes premature death and disease, including among working-age populations. Each year, the global tobacco epidemic kills nearly 6 million people, including more than 600,000 who die from exposure to secondhand smoke. Tobacco use and secondhand smoke kill more people annually than HIV and AIDS, tuberculosis, and malaria combined.
Approximately 6,000 people in Asia and the Pacific die prematurely from tobacco-related diseases every day. Second, tobacco undermines the development process through the direct and indirect economic costs it imposes on households and economies. Tobacco use imposes an estimated $500 billion in costs on the world economy each year – approximately three times more than the tax revenues that governments generate from tobacco use each year. Third, tobacco has direct links to poverty and inequity. In Indonesia, spending on tobacco is close to what the poor spend on key food items such as vegetables and is six times more than what they spend on eggs and milk. A typical poor smoker in Bangladesh could easily add over 500 calories to the diet of one or two children using his or her daily tobacco expenditure, and therefore the lives of 350 children could be saved daily. Fourth, tobacco consumption imposes extra – but preventable – burdens on already overstretched and underfunded public health systems (ADB 2012).

The fourth reason for having some degree of optimism about financing for health in Asia is that there remains large scope for using countries’ resources more efficiently and effectively. WHO (2010c) reported that governments can achieve “more health for the money” by improving the efficiency of health financing. Importantly, the report estimates that 20% to 40% of all global health spending is currently wasted through inefficiency and waste. The report identifies 10 specific leading sources of inefficiency in health. These include purchasing practices for medicines (underuse of generics, use of substandard or counterfeit medicines, and irrational prescribing policies); misaligned incentives (fee-for-service payments); management practices (medical errors and costly staffing mixes); and poor investment decisions about hospital size or technology choices. Other recent reports found that “perhaps 80% of essential care and 70% of desirable health interventions can be delivered at the primary level, but an average of only 10% of health resources are used for primary level care in Asia” (WHO 2009, 11). Several countries in Asia have undertaken rapid decentralization of health financing systems in an effort to improve responsiveness and bottom-up planning. Unfortunately, fragmentation of health system financing, as well as clogged and leaking financing pipelines from the center to the periphery, have undermined the effectiveness, efficiency, and equity of expenditure. Fragmentation of health systems may also preclude consistent policy focus and incentives for efficiency on both risk-pooling and purchasing grounds (Gottret and Schieber 2006).

The fifth and final reason for some degree of optimism about health financing and health outcomes is the role that Asia can play in generating regional and global public goods in health. Southeast Asia has been a hot spot for emerging infectious diseases that generate adverse health and economic outcomes in the region and beyond, including outbreaks of Nipah virus, Artemisinin-resistant Plasmodium falciparum, and new cholera and dengue variants. Coker (2011) noted that the estimated cost of severe acute respiratory syndrome to East and Southeast Asia was $18 billion, which is roughly $2 million per person infected. The recent establishment of the Asian Pacific Health Observatory will help to generate consistent and comparable data – itself a valuable public good – as a basis for better decision making by governments and their development partners.
Conclusion

Poverty and disparity in Asia is a global problem. Asia is still the center of gravity of world poverty. Nearly three-quarters (72%) of all people living on less than $2 per day now live in Asia – more than three times the number living on less than $2 per day in sub-Saharan Africa. Global development targets for health simply cannot be achieved without faster and deeper progress in Asia. Nearly half of the world’s childhood deaths from diarrhea occur in Asia, and Asia was home to more than twice the number of underweight children as Africa in 2010.

Asia needs to address the double burden of disease and protect the poor from financial distress. It needs to address the unfinished agenda of reducing unacceptably high levels of undernutrition; maternal, newborn, and child health; and infectious diseases. It needs to position its health systems so that they are better able to respond to the major challenges of aging and NCDs. Asia also needs to protect the poor and vulnerable from financial distress resulting from out-of-pocket expenditures and give substance to its political commitments to reduce inequities and improve social inclusiveness.

But rapid economic growth gives Asia the potential to make deep and sustained reductions in disparities, including health disparities. This is justified because health is a valuable outcome in its own right. Increased and better-allocated public expenditure for health can be a good investment, averting otherwise avoidable costs for households and governments, contributing to individual and national productivity, setting in motion beneficial demographic patterns, and sometimes facilitating other, indirect benefits, such as increased trade and foreign direct investment when major diseases are controlled. Much of Asia has the economic growth and, ultimately, the financial capacity to invest more, and more strategically, in essential health care.

This chapter points to five strategic investments that would help reduce disparities. First, governments could and should continue to increase the level of public health expenditure, focusing on the poor and the vulnerable and investing in prevention strategies against the rise of NCDs. Total health expenditure in Southeast Asia could almost double in per capita terms and still only be on a par with the level spent in sub-Saharan Africa. Tobacco taxation is a way of raising revenue for health while reducing a major risk factor for NCDs. Second, development partners should continue to increase their support for health, but should focus more on the strategic health challenges and the poor. Third, governments and their development partners should increasingly draw on recent evidence-based analysis of proven interventions to improve health outcomes for the poor and vulnerable while simultaneously strengthening health systems more broadly in anticipation of the rise of NCDs. Fourth, governments and their development partners should exploit the often large scope for using what resources countries have more efficiently and effectively. Finally, Asian countries can generate regional and global public good in health, including efforts to reduce counterfeit drugs and pandemics.
References


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27 ADB recognizes China by the name People’s Republic of China.


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10 Overcoming challenges in water and sanitation in Asia

Kallidaikurichi E. Seetharam and Mingxuan Fan

In adopting the Millennium Development Goals (MDGs), Asian countries have committed to halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation. In March 2012, United Nations Children’s Fund (UNICEF) and the World Health Organization (WHO) announced that the world’s MDG target on water has already been achieved. The achievement means that more than 2 billion people gained access to improved drinking water between 1990 and 2010; 1.5 billion of these people are from Asia. Despite this significant progress, as of 2010, 390 million people in Asia still do not have access to improved drinking water, and there remain major issues related to quality of access. On the other hand, the MDG target on sanitation is unlikely to be achieved by 2015. During the same 1990–2010 period, 1.3 out of 1.8 billion people who gained access to improved sanitation were Asian. In 2010, there were 840 million people in Asia continued to practice open defecation.\(^1\)

We first provide an Asian perspective on the progress in water and sanitation provisions, followed a review of policy and programs in the People’s Republic of China (PRC) and India. The paper looks at the remaining challenges and ways forward in overcoming such challenges.

Progress on water and sanitation: an Asian perspective

In this section, we utilize data from the WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation to provide an Asian perspective on the progress in water and sanitation services. Although we have our concerns about the comparability and accuracy of the data, it is so far the most comprehensive data set available at global scale. The JMP definition of improved drinking water sources includes piped water into a dwelling, piped water to a yard or plot, public taps or standpipes, tube wells or boreholes, protected dug wells, protected springs, or rainwater. Improved sanitation comprises flush toilets, piped sewer systems, septic tanks, flush/pour flush to pit latrines, ventilated

\(^1\) The numbers are estimated based on data provided by the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation (http://www.wssinfo.org/data-estimates/table). All data used in the first section is from the same source.
improved pit latrines, pit latrines with slab, composting toilets, and special cases (WHO/UNICEF JMP n.d.).

In 1990, only 71% of the population in developing Asia had access to improved drinking water, compared to 98% in developed countries, 85% in Latin America and the Caribbean, and 87% in North Africa (Figure 10.1). Asia’s numbers are only higher than those of Oceania (54%) and sub-Saharan Africa (49%). By 2010, 90% of the population in developing Asia had access to improved drinking water, an increase of 19%, which is the largest increase among regions. During the same period, there was only a 1% increase in developed countries, a 9% increase in Latin America and the Caribbean, a 5% increase in North Africa, and a 12% increase in sub-Saharan Africa. In Oceania, the percentage of population with access to improved drinking water dropped by 1%. It is observed that during the 20-year period, developed and comparatively less-poor regions have made less progress than developing regions. From 1990 to 2000, Asia caught up with North Africa and Latin America and the Caribbean in the provision of improved drinking water.

Although developing Asia as a whole made the most significant improvement in water provision, the regional disparity within Asia cannot be neglected. Among the five Asian subregions, Caucasus and Central Asia and Western Asia had a slower rate of increase, but they also had a relatively higher standard to start with. In 1990, 88% of the population of Caucasus and Central Asia and 85% of the population in Western Asia had access to improved drinking water. Twenty years later, the number dropped to 87% in Caucasus and Central Asia and increased to 88% in Western Asia. Piped water coverage dropped from 57% to 53% in Caucasus and Central Asia and increased from 70% to 82% in Western Asia.

East Asia’s progress on drinking water supply is the fastest both in Asia and in the world. Although East Asia started with the least coverage rate in 1990, by 2010, its percentage was the highest in Asia. Its access to improved drinking water increased from 67% to 91% and access to piped water increased from 33% to 70% (Figure 10.2). This achievement is mainly due to the fast development in the PRC, which accounts for 95% of the population in East Asia. Similarly, India is the

![Figure 10.1](image.png)

**Figure 10.1** Access to improved drinking water, by region.

dominant factor for progress in Southern Asia because it constitutes 71% of the region’s population. Southern Asia’s improved drinking water coverage increased from 73% in 1990 to 90% in 2010; however, the piped water coverage increased by only 5%, from 20% to 25%. Southeast Asia saw an increase in improved drinking water coverage, from 71% to 88%, and piped water coverage increased from 16% to 27%.

Similarly, developing Asia started as a region with the second lowest coverage in sanitation – 31% in 1990 – and made the fastest progress (Figure 10.3). Service increased by 24% in 20 years, although in 2010, the percentage of population with access to improved sanitation was still lower than the 1990 level of North Africa (72%), Latin America and the Caribbean (68%), and the developed countries (95%).

Within Asia, East Asia made the most significant improvement in sanitation services (40%), compared to 23% in Southeast Asia, 17% in Southern Asia, 6% in Western Asia, and 5% in Caucasus and Central Asia, although the coverage rate in East Asia by 2010 (66%) was still higher than only Southern Asia (41%) and was lower than rates in Southeast Asia (69%), Western Asia (83%), and Caucasus and Central Asia (96%) (Figure 10.4).

After comparing developing Asia as a whole to other regions in the world and contrasting among the five regions within Asia, we conclude that the fast progress in Asia in terms of water and sanitation services is driven by the most populous countries in the region, the PRC and India; however, as these countries and the region as a whole advance to certain thresholds, progress on these services will slowdown. Like other, more developed regions, Asian countries will have to make more effort to maintain and further improve the coverage and quality of services.
Water and sanitation in the People’s Republic of China and India

When it comes to achieving the MDGs, the PRC and India are unquestionably the fundamental drivers; their accomplishments determine the well-being of 40% of the world’s population. According to the JMP (UNICEF and WHO 2012), both the PRC and India have already achieved their water-related MDGs. By 2010, 91% of the population of the PRC and 92% in India had access to improved drinking water, exceeding the targets of 84% for the PRC and 86% for India, which were set for 2015. In urban areas, the percentage of population with access to improved drinking water reached 98% in the PRC and 97% in India in 2010. Meanwhile, the rural access rate reached 85% in the PRC and 90% in India.

However, the single indicator used for MDG monitoring – the percentage of a population with access to improved drinking water – reflects only the availability of water rather than actual access. As clarified by the United Nations Development Group (2003), the “access and volume of drinking water are difficult to measure,
so sources of drinking water that are thought to provide safe water are used as a proxy” (65). To provide a more comprehensive view of water access, the Index of Drinking Water Adequacy was developed to include resource availability, water coverage rate, capacity to buy water, actual water use for domestic purpose, and water quality. Fan and Rao (2011) used the index to compare provincial water access in the PRC and India. Overall, the index for provinces in the PRC is higher than that of Indian states. Table 10.1 and Table 10.2 illustrate the drinking water adequacy across the two countries. The study also showed that inequity in water provision among provinces and between rural and urban areas is a serious problem in both countries.

The assessment of water access through the Index of Drinking Water Adequacy also revealed that water challenges in the two countries fall into five broad categories. First, although physical water scarcity is not a main issue for either country nationally, regional disparity and mismanagement of water resources has constrained further improvement in drinking water provision. Second, it is believed that a piped water connection to each household is the optimal situation; however, the access rate in terms of house connections is still low in India (48% in urban areas and 12% in rural areas as of 2010) and rural PRC (45% as of 2012), and

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<th>Table 10.1</th>
<th>Index of drinking water adequacy for Indian states</th>
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<td>50–70</td>
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<th>Table 10.2</th>
<th>Index of drinking water adequacy for People’s Republic of China provinces</th>
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bringing safe drinking water to the urban poor remained a key challenge for both countries. Third, the capacity, or rather willingness, to pay for pipe installation and to pay water tariffs is still low. Fourth, some regions have more water than is required for domestic use, whereas other regions have insufficient supply. The imbalance calls for both water conservation measures to reduce unnecessary waste and higher water infrastructure capacity. Finally, water quality is deteriorating as a result of various factors outside the water sector. It is widely believed that all of these challenges are essentially policy and institutional challenges and could be resolved through better water governance.

Progress in the parallel subsector of sanitation is falling far short of the mark in both countries. In India, about 58% of the urban population and 23% of the rural population use improved sanitation, compared to 74% of the urban population and 56% of the rural population in the PRC. This slower progress is mostly attributed to the difficulty in changing attitudes about sanitation. The challenges both countries face in providing sanitation and promoting the use of sanitation requires adoption of a more bottom-up approach and strengthened community and local government-led capacities.

Policies and institutions for drinking water supply and sanitation

In this section, we review the development and the institutional arrangement of the water and sanitation sector in the PRC and India, followed by a comparison of the path of development and their relative advantages.

Development of the water and sanitation sector in the People’s Republic of China after 1949

The development of the drinking water and sanitation sector in the PRC has mainly been driven by the progressive targets and directions set by the central government. Nationally, the targets and policy focus are revised as the economic and social context changes. The milestones of development since 1949 (adapted from Meng, Tao, and Liu 2004 and Shen 2006) are as follows:

1950: The PRC formulated the first urban water supply standard.

Early 1980s: The government of the PRC approved the National Patriotic Health Campaign Committee as the lead agency to coordinate rural water supply and sanitation efforts.

1983: The rural drinking water plan began to be formulated and implemented.
1985: Drinking water standards established.
1986: For the first time, rural water supply was included in the national development agenda. The Seventh Five-Year Plan of Social Development and Economic Construction set the target to improve the rural water coverage to 80% by 1990. The target was increased by 5% in each of the five-year plans since, and by 2005, the end of the Tenth Five-Year Plan, the percentage of rural population with access to improved drinking water was supposed to reach 95%, achieving the MDG target on water ahead of the set time line.
1991–1993: Township water supply projects started to take off, employing agricultural loans provided by the China Agricultural Bank, the State Council’s special loans, and provincial and regional self-collected funding.

1994: The State Council formulated the Eight-Seven Poverty Reduction Plan to lift 800 million people out of poverty within 7 years, and rural drinking water supply was one of the key tasks.

1996–2000: The Ninth Five-Year Plan added a rural sanitation target to national planning for the first time. The target was to provide sanitation to 40% of the rural population by 2000. The subsequent Tenth Five-Year Plan set the target at 55%.


2006–2010: The Eleventh Five-Year Plan puts significant emphasis on water pollution control, which is stated as the top priority for environmental investment. Other priority areas include the development of technologies ensuring drinking water safety; prevention and control of eutrophication; reuse of wastewater; removal of organic substances and microbes in drinking water; biological removal of nitrogen and phosphorus from high-load wastewater; high-efficiency anaerobic and aerobic biological treatment; and treatment of wastewater with high salinity and high levels of toxic organic compounds. Urban wastewater treatment projects include the addition of 45 million tons per day of capacity; reform and improvement of existing wastewater treatment plants and sewer pipelines; sludge disposal facilities; and use of treated wastewater.

2007: The Ministry of Health, in conjunction with the PRC’s National Standardization Administration, issued new drinking water standards that will require water supply utilities to take action to upgrade their systems.

2007: The Action Plan on Environment and Health was approved and was expected to guide environmental and health work in a scientific way by building a supervisory network specifically relevant to drinking water. This would include establishing a monitoring network of drinking water safety and health; considering the tasks and monitoring contents of the national drinking water safety scheme; monitoring waterborne diseases and other information related to health; and drawing up a state monitoring scheme with reasonably distributed monitoring stations.

2008: Revision of the Prevention and Control of Water Pollution Law. Major changes were made to the penalties for water pollution.

2011–2015: The Twelfth Five-Year Plan emphasized investment in water management and infrastructure. The water crisis is clearly recognized in the plan, which urges that the construction of water conservation structures be enhanced, irrigation be improved, and rivers and lakes be cleaned up and properly treated. It also proposes accelerating the construction of wastewater treatment and recycling plants. Concrete financial measures, such as central and local water fee collection structures, were planned to “implement the most stringent water management system.”
Historically, in both countries, drinking water and sanitation have been handled separately by different agencies within the central and local governments. Different arrangements for rural, township, and urban water and sanitation also add to the institutional complexity. Figure 10.5 outlines the national responsibilities of various government bodies. The National Development and Reform Commission coordinates national economic and social development strategies, including setting the drinking water and sanitation targets. The Ministry of Water Resources drafts policies, strategies, plans, regulations, and laws related to water resource management and is responsible for development of water resources schemes; it devotes more to urban water supplies than to rural irrigation. The National Patriotic Health Campaign Committee coordinates committees for official resolutions on rural drinking water and sanitation. The Ministry of Finance is responsible for all national budgeting and financial issues, including water sector financing. The Ministry of Housing and Urban–Rural Development manages urban and township infrastructures and water supply and wastewater treatment facilities. For rural drinking water access, the Ministry of Water Resources manages rural water supply systems in water-scarce villages, whereas the Ministry of Agriculture is in charge of the rural water supply for agricultural areas and support for the construction of rural water supply systems and biogas latrines. The Ministry of Education constructs and improves rural school latrines. The Ministry of Environmental Protection is responsible for the enhancement of protection of water sources and water quality and regulates water pollution. The Ministry of Health carries out field monitoring, supervision, inspection, and evaluation duties for rural water supply and sanitation. The governance structure in provinces and cities resembles the national governance structure. Provincial, city, and county governments oversee the implementation of water supply and sanitation projects and ensure that the directives and plans laid down by the central government are properly implemented. The water utilities in urban areas, along with township and village governments, are the actual bodies that operate and maintain the water and sanitation facilities.

**Development of the water and sanitation sector in India after 1947**

Under the Constitution of India, the improvement of water and sanitation services is mainly the responsibility of states, and the central government only has an advisory capacity. However, the central government has been responsible for coordination and harmonization of standards, guiding investment in the sector, taking the lead in recommending styles of water supply and sanitation organizations, and promoting human resources development and research (Government of India 2002). Major developments in national water and sanitation (adapted from Jha 2010) are as follows:

**1951:** The First Five-Year Plan added water supply and sanitation to the national agenda, though sanitation is not accorded any importance and is barely mentioned under the discussion of water supply.

**1954:** The first National Water Supply and Sanitation program was launched as part of the health plan. Equal funding for rural piped water supply schemes and
for wells and bore wells was provided by the central government and states. Rural schemes were provided to settlements with fewer than 5,000 people.

1961: The Third Five-Year plan defined “problem villages” as those without a drinking water source within 1.6 kilometers (in the plains) or an altitude of 100 meters (in hill areas), those with endemic waterborne diseases, and those where water sources contain excess salinity, iron, fluoride, or toxic elements.

1972–1973: The Accelerated Rural Water Supply Programme was launched to supply water to villages with “backward class” populations.

1975: The Accelerated Rural Water Supply Programme was replaced by the 20-point Minimum Needs Programme, which aimed at full coverage.

1977–1978: The Accelerated Rural Water Supply Programme was reintroduced, but funds were provided by the states through the Minimum Needs Programme.


1980–1981: Low-cost sanitation scheme initiated for urban areas.

1985: Rural Water Supply and Sanitation, which was under the Ministry of Urban Affairs and Employment, was handed over to the Department of Rural Development, then under the Ministry of Agriculture.

1986: The national apex committee on drinking water, the National Drinking Water Mission, was reformed.

1987: For the first time, a national water policy was drafted by the Ministry of Water Resources, with an emphasis on domestic water supply, protection of groundwater sources, and water quality monitoring and mapping.

1992: Problems with the sector were identified in the Eighth Five-Year Plan and a reform agenda was put forward that emphasized treating water as a commodity, privatization, local operations and maintenance bodies, and proper linkages between water supply and sanitation.

1993–1994: The Accelerated Urban Water Supply Programme was initiated to provide water to towns.

1997: The Ninth Five-Year Plan set the objective of 100% water supply coverage in urban and rural areas, 60% sanitation coverage in urban areas, and 30% sanitation coverage in rural areas, with an emphasis on decentralization and privatization in both the rural and the urban sectors.

1999: After many changes back and forth, the Ministry of Rural Development was created in its current form. Within it, the Department of Drinking Water Supply started to oversee rural water supply and sanitation programs. Urban water supply and sanitation were allocated to the counterpart Ministry of Urban Development, with overall guidance for planning and coordination provided by the Ministry of Water Resources.

2002: The National Water Policy was amended, giving priority to providing drinking water to humans and animals, regular monitoring of surface water and groundwater quality, and regulating the use of groundwater.

2002: The Tenth Five-Year Plan set the objective of 100% coverage of urban and rural populations, mandated that water be managed as commodity, and changed the role of government from direct service provider to facilitator, leading to privatization. The focus was not only on investment requirements but also on institutional restructuring, better services, people’s participation, and managerial improvement.

A variety of national government institutions have a role in managing drinking water and sanitation despite their limited power compared to the state governments. The Ministry of Finance, through the Planning Commission and the Finance Commission, plans and provides funds for various activities to support upgrading the standards of state administration. The Ministry of Water Resources regulates surface water for various purposes, including drinking water, and mediates interstate water disputes. The Ministry of Environment and Forests oversees water quality and promotes pollution control strategies. The Ministry of Rural Development formulates guiding policies for rural water supply and the Ministry of Urban Development formulates policies for urban water supply. The state governments plan, design, and execute water supply schemes through their state public health engineering departments and water boards. State governments also may give responsibility to the Panchayati Raj Institutions and urban local bodies.

A comparative perspective
Both India and the PRC have taken a similar approach to urban water supply, promoting cost recovery for water utilities and better quality services through public utility reform and public–private partnerships.
One example of successfully privatized water supply and sanitation in India is in the city of Jamshedpur. The Jamshedpur Utilities and Services Company is a case of an integrated urban water system managed under a corporate framework. Set up as a wholly owned subsidiary of Tata Steel, Jamshedpur Utilities and Services became operational in 2004 with the transfer of 1,375 employees from Tata Steel’s Town Division. In a short time, it has evolved into a one-stop, integrated utilities provider in a range of areas, including water and wastewater, construction, municipal solid waste management, power, and integrated facility management (Asian Development Bank [ADB] and Institute of Water Policy 2010).

In 2007, a large wastewater treatment plant, developed as a public–private partnership, opened in Guangzhou, PRC. This plant was built by the Guangzhou Wastewater Treatment Company, a partnership of the state government and Earth Tech, a subsidiary of Tyco International. The plant was built as part of a broad effort to reduce the flow of untreated sewage into the Xijiang (Pearl) River and is a build–operate–transfer agreement in which the plant is to be transferred to the government in 17 years (Gleick 2009). Veolia Water projects are being developed in Beijing, Shanghai, Shenzhen, and Tianjin. One project, a renovated water supply plant in Tianjin, now supplies drinking water to 1.8 million people. In another agreement, Veolia set up a joint French–PRC venture to build a series of water projects, including urban and industrial wastewater treatment plants, desalination facilities, water treatment equipment, and water management services in the northern city of Teda. The joint venture, called the Tianjin Teda Veolia Water Company, sought to help provide the PRC with management expertise and financial capital (Browder et al. 2007). Private sector involvement in water supply, however, has met with local community resistance in both India and PRC, as some argue that privatization will lead to increased prices and will make water unaffordable for the poor.

In terms of rural water supply and sanitation, the two countries started similarly, with government initiatives. India launched the National Rural Drinking Water Supply Programme in 1969 and in 1986 formed a national apex committee on drinking water. The PRC started in 1984, when rural drinking water supply formally became one of the country’s development priorities. In 1986, it was included in the five-year development plan for the first time.

The drinking water safety program and similar initiatives in the PRC are fully government funded, designed, and implemented, whereas India experienced paradigm shift, moving from a government-oriented approach to a people-oriented, demand-responsive approach. For example, India began piloting the Swajaldhara projects in 1999, and the role of government changed from that of service provider to that of facilitator. With government paying 90% of the infrastructure cost and communities paying for the remaining 10% of infrastructure and 100% of operations and maintenance, communities were made responsible for their water supply projects. In rural India, village water supply and sanitation committees are established and entrusted with the day-to-day management of water supply and sanitation schemes (Jha 2010).
The water and sanitation sector is far more dynamic and innovative in India than in the PRC. Nongovernment organizations also were involved in improving drinking water access, for example, through the microcredit initiative led by Gramalaya in Tamil Nadu. Sulabh is an internationally recognized nongovernment organization that has championed a solution for urban sanitation in India. Sulabh toilets have successfully addressed rehabilitating members of hereditary scavenging sub-castes, in addition to providing well-maintained sanitary facilities for toiletless urban residents upon payment of a nominal fee. Sulabh organization has excelled in terms of its impact beyond serving slum dwellers in several Indian cities. Sulabh has built and operated toilets in popular tourist and pilgrimage sites (Jha 2010).

The PRC government recognizes that local community and civil society involvement is essential to the sustainability of water supply programs, but its actions are yet to reach the same level as those in India. Nonetheless, the government-led program in the PRC so far has been successful in achieving the set targets. It has benefited from the clear agenda and goals set by the central government and from diligent implementation at the local level. The effective national coordination also enabled the mobilization of resources, which would be difficult to achieve in India. The South-to-North Water Transfer Project to funnel 45 billion cubic meters a year from the Yangtze River basin to the northern part of the country is currently underway. That project was approved in 2002 to address water shortages in the north (Browder et al. 2007).

### Box 10.1 Indicators used in the Asian water governance index

**Water law:** Legal distinction of different water sources, format of surface water property rights, legal accountability of water sector officials, decentralization tendency within water law, legal scope for private and user participation, and legal framework for integrated treatment of water sources.

**Water policy:** Project selection criteria, linkages with other policies, pricing policy, private sector participation, user participation, linkage between water law and water policy, attention to poverty and water, and finance for water investment.

**Water administration:** Organizational basis, balanced functional specialization, existence of independent water pricing body or apex body, accountability and regulatory mechanisms, validity of water data for planning, and science and technology application.

Source: Araral and Yu (2010).

### Ways forward

Improving water governance across all levels of government is considered a prerequisite for sustainable water policy and crucial to achieve water security. The Asian Water Governance Index, developed by Araral and Yu (2010), compared the water governance in 20 countries of Asia and the Pacific. The index takes into account three types of institutions, namely water law (using six indicators), water policy (using eight indicators), and water administration (using six indicators).
The index is constructed by weighing and aggregating 20 institutional components, and the resulting measurement is presented on a scale of zero (*lagging governance*) to 100 (*leading governance*). Overall, national water governance in the PRC and India are in the lower category compared to other countries in the region, and various aspects of water governance could be improved (Figure 10.6).

**Improving urban water governance: barriers and enablers**

Based on the success stories of eight water utilities in Asia, the Institute of Water Policy and the ADB developed the SUCCESS model (staff, unaccounted-for water, collaborative vision, corporatize, empowering, sustainability, sanitation) as a framework for effective urban management (Figure 10.7). The key elements required for effective urban water management are as follows:

(i) **Staff.** Increase productivity.
(ii) **Unaccounted-for water.** Reduce unaccounted-for water.
(iii) **Collaborative vision.** Ensure that government, the corporate sector, and society have the same vision and commitment.
(iv) ** Corporatize.** Ensure that accountability exists as it would in a private company.
(v) **Empowering.** Ensure that the urban poor are included in any planning and development efforts.
(vi) **Sustainability.** Any outcomes should be financially and ecologically sustainable in the long term.
(vii) **Sanitation.** General sanitation must be an essential part of the water management process.

As stated, the global water crisis is essentially a crisis of governance, or lack of governance. Inadequate leadership and governance are the fundamental reasons that struggles exist in the urban water sector (Asian Development Bank [ADB]

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**Figure 10.6** Overall Asian water governance index.

Source: Araral and Yu (2010).

Note: Group 1 = Bangladesh, Cambodia, India, the Lao People’s Democratic Republic, Mongolia, Nepal, Pakistan, Sri Lanka, and Uzbekistan; Group 2 = People’s Republic of China, Indonesia, Republic of Korea, New Zealand, the Philippines, Thailand, and Viet Nam; Group 3 = Australia, Japan, and Taipei, China; Group 4 = Singapore.
and Institute of Water Policy 2010). Hence, ensuring the accomplishment of the elements outlined in this chapter ultimately depends upon the available political will and leadership.

Strong leadership and a commitment at the highest political levels are often the critical ingredients for successful utility reform. For example, the vision and leadership provided by Lee Kuan Yew, the first prime minister of Singapore, and Ek Sonn Chan, the director general of Phnom Penh Water Supply Authority, are often cited as key factors in mobilizing wide-ranging commitment and maintaining a steadfast focus on improving the performance of water utilities in those two cities (Asian Development Bank [ADB] and Institute of Water Policy 2010). In both cases, this vision was backed by decisive efforts among the top leadership to build a motivated and capable workforce that was fully empowered to translate the vision into practice at the operational level.

Both leaders shared a similar starting point, which was the tremendous pressure they were facing. In other words, the lack of political commitment in other cities could be partially due to the lack of knowledge about the water sector or the lack of information about the urgency of addressing challenges in the water sector. For example, charging for water is widely recognized as an essential measure
to sustain good water services, but often this is not implemented correctly due to a lack of political will, which is often caused by the misperception that the poor are not willing or not able to pay for piped water; however, as numerous cases have shown, the urban poor often actually pay more to water vendors to secure clean water. This is certainly the case in Mumbai where there are chronic water shortages and where the urban poor routinely have to fight for access to clean water and are often charged (and overcharged) for water provided by private vendors.

In other cases, utility managers believe lack of investment hinders the improvement of services. This is another misperception, however. Even without initial funding to improve infrastructure, utilities can start to look at improving efficiency and savings from within and considering measures that are less expensive. The initiative to make small improvements in service quality could have the effect of building trust between customers and suppliers, which could eventually lead to an increasing willingness to pay and thus set the utilities on the track to reform.

Countries’ different political, economic, and institutional environments often cast doubt on replicating the best practices learned from elsewhere. This is a valid point, to a certain extent; however, there has never been a one-size-fits-all solution to a problem of this magnitude, and global knowledge must be adapted to produce suitable measures for local reform. Insightful leaders and capable staff must be equipped with a proper understanding of the water challenges and best practices from all over the world; only then can they use their expertise in local circumstances to tailor solutions for their own cities.

Water conservation and demand management

Unless regulation of demand is given appropriate importance in water resource planning, it will remain difficult for India and the PRC to meet the growing need for water. In contrast to the monitoring of industrial and agricultural water use, both countries have paid less attention to regulating domestic water use. Although domestic use is a small portion of total water consumption compared to other water sectors, the amount of water used in the domestic sector is significant, given the large population base in both countries.

In recent years, a few initiatives have been made in the PRC. The Ministry of Housing and Urban Rural Development issued standards of water quantity for urban domestic use, and the Ministry of Health issued standards for rural domestic use. These standards suggested the optimal quantity for each province, and for rural and urban areas separately, depending upon economic development, resource availability, and housing conditions; however, the enforcement of these standards is unclear. The use of water conservation appliances remains voluntary. Water pricing has recently been adjusted in a number of cities in the PRC that have opted to encourage conservation behavior.

Unlike the stand-alone water-saving initiatives in the PRC, the National Rural Drinking Water Programme in India has built-in water conservation and demand
management components, such as awareness campaigns. But the effectiveness of these measures has not been evaluated.

The effectiveness of the demand management structure is not well studied in either country and requires further investigation. Singapore provides both countries with an excellent example of urban water conservation, and cooperation in sharing experiences with innovative methods of rural water savings could benefit both countries.

Meanwhile, to ensure water conservation and demand management are implemented across different water use sectors, more collaboration among institutions is required because water allocation and water use in different sectors are coordinated by various ministries in both countries. The effect of climate change adds to the uncertainty of water availability and water planning, which also requires collaborative efforts in climate change adaptation in the water sector.

References


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2 ADB recognizes China by the name People’s Republic of China.


11 Migration and slums in urban Asia

Belinda Yuen

It is widely recognized that urbanization contributes to sustained economic growth and is critical to poverty reduction; yet, with the rise of urbanization, the number of the world’s slum dwellers has been increasing at an unprecedented rate. During the decade of 2000–2010, the number of slum dwellers grew by 6 million per year (Cities Alliance 2011). Global estimates suggest that about one-third of the world’s urban population (1.2 billion people) lives in slums and informal settlements where poverty is pervasive (United Nations Human Settlements Programme (UN-HABITAT) 2011).

Slum conditions often reflect the many deprivations experienced by the urban poor. Typically, urban slums are characterized by overcrowding, poor public health, insecurity of tenure, and inadequate basic services such as durable housing or access to clean water and sanitation or combinations of both. Slums effectively segregate urban areas into a rich city and a poor city (the urban divide). Despite substandard living conditions and the Millennium Development Goals (MDGs), the number of the world’s urban slum dwellers is projected to increase to 2 billion by 2030 if rapid urbanization is not well managed.

MDG 7, Target 11, sets the objective for poverty reduction, with a specific focus on improving the lives of at least 100 million slum dwellers by 2020; however, there has been much debate about the adequacy of this target, given the growing number of slum dwellers in developing countries (United Nations 2010). Although the proportion of urban population living in slum settlements declined from 1990 to 2010, from 46.1% to 32.7% with slum upgrading, the progress is failing to keep pace with the growing number of urban poor in developing countries.

The worst-affected countries will be in Africa and Asia, where the urban population is anticipated to double from 2000 to 2030. These countries already have a high prevalence of urban slums. Nearly two-thirds of the urban population in sub-Saharan Africa lives in slums. Geographically, Asia comprises four subregions – East and Northeast Asia, Southeast Asia, South and Southwest Asia, and North and Central Asia. Almost half of city dwellers in South Asia live in slums,
whereas about one-third of urban residents in East Asia are slum dwellers. In West Asia, the number of urban residents living in slums in conflict-affected countries tripled from 17% of the population (2.9 million people) in 2000 to an estimated 53% of the population (10.7 million people) in 2010.

There is increasing consensus among development economists that making urbanization work well is central to successful economic growth (Spence, Annez, and Buckley 2009). This means that, among other things, cities must be better managed to absorb the expected demographic growth, and must minimize further expansion of informal settlements and urban slums while coping with poverty reduction. Despite the visible link between cities and growth, policy makers in many developing countries often are ambivalent about how to support the spatial and structural shifts that urbanization makes necessary.

This chapter considers urban poverty and slums in Asian cities and the policy options for improving basic shelter of the poor and of rural migrants. To provide context, we begin by examining trends in Asia’s rapid urbanization, rural–urban migration, and the effect of these on urban poverty and slums. The chapter argues for a holistic framework to consider the effects of urbanization and city development in developing countries, better management of internal labor migration, and the provision of decent living conditions for rural migrants in cities, which is crucial to achieving the MDGs.

**Asia’s urban poverty and slums**

To understand Asia’s urban poverty and slums, we must first examine the magnitude of its urbanization. Asia is urbanizing rapidly. Since 1990, Asia’s urban population has increased by more than 754 million people. The proportion of Asia’s urban dwellers to total population is projected to grow from 42.2% in 2010 to 50% (2.2 billion) by 2026, to 53% (2.6 billion) by 2030, and to 63% (3.3 billion) by 2050 (UN-HABITAT 2005; 2009). Several trends can be discerned.

First is the rapid rate of urban growth. The average annual urban growth rate is 2.5%, with some registering higher rates. These are often low-income countries such as, for example, Cambodia (5.5% annual growth), Indonesia (5% annual growth), and the Lao People’s Democratic Republic (Lao PDR) (4.6% annual growth). The People’s Republic of China (PRC) is expected to be 70% urban by 2050, and India is projected to be 55% urban by 2050. The predominance of rural settlements in many of these countries is expected to retreat with urban population growth.

Second, cities are growing rapidly, including small cities of less than a half-million people and medium-sized cities of 1 million to 1.5 million people. The majority of Asia’s urban population (60%) lives in cities with fewer than 1 million people. The number of Asian cities with 1 million or more people is projected to increase from 118 to 272 from 1990 to 2015. Many cities are doubling their population every 15 to 20 years, with serious implications for urban housing and infrastructure provision, especially because most small and medium-sized cities lack adequate infrastructure and services. Phnom Penh, Cambodia,
is projected to grow at 4% per year, effectively doubling its population within the next 17 years, whereas some cities in the PRC, such as Chongqing, Shenzhen, and Xiamen, have been growing at more than 10% per year, doubling their population every 7 years. These cities will require significant increases in infrastructure investment and capacity for improved urban planning and management.

Third, there is an accelerated formation of very large urban agglomerations. By 2015, the number of Asian megacities of more than 10 million people is expected to increase from 12 to 16 (comprising 66% of global megacities and 11% of Asia’s urban population), many of these in low-income countries. Seven of the world’s most populous cities – Dhaka, Delhi, Karachi, Kolkata, Mumbai, Shanghai, and Tokyo – are in Asia. Dhaka is the world’s fastest-growing megacity, expanding at 4.4% per year. Compared to London, which took approximately 130 years to increase its population from 1 million to 8 million, Bangkok achieved this demographic expansion within 45 years and Seoul achieved it within 25 years.

These cities dominate the urban system, and many are primate cities. They contribute a large share to national urban population (ranging from 20% in Jakarta to 50% in Bangkok) and to national gross domestic product (GDP) growth – about 40% of Thailand’s annual GDP is generated by Bangkok alone. Increasingly, these cities have extended urban regions beyond their official boundaries, stretching 50 to 100 kilometers from the city center, incorporating a range of smaller urban and rural administrative areas, and creating a new urban landscape on a scale never seen before. An example is Bangkok, which expanded from 67 square kilometers during the 1950s to 426 square kilometers by the mid-1990s. McGee (1991) observed a process of region-based urbanization in these extended mega-urban regions (MURs) (which he called desakota) as they envelope surrounding villages and rural areas.

By 2020, two-thirds of Southeast Asia’s urban population is anticipated to live in five MURs: the Bangkok-centered MUR in Thailand (30 million people), the Java MUR in Indonesia (100 million people), the Kuala Lumpur–Klang MUR in Malaysia (6 million people), the Manila MUR in the Philippines (30 million people), and the Singapore Triangle in Singapore (10 million people) (UN-HABITAT 2005). These MURs are comparatively smaller than those observed in East Asia. The Tokyo–Osaka–Kyoto–Kobe–Nagoya MUR in Japan has a projected population of 60 million by 2020, and the Greater Shanghai MUR and the Hong Kong–Shenzhen–Guangzhou MUR in the PRC have projected populations of 83 million and 120 million, respectively. In essence, MURs are growing quickly and are amassing larger populations than mega-cities.

Although cities have acted as engines of economic growth in most countries, the speed and magnitude of urbanization is straining municipal capacity and generating inequalities, marginalization, and serious environmental problems. As Roberts and Kanaley (2006) observed, “There are major backlogs in the provision and maintenance of urban infrastructure and service and, if existing policy responses continue, these will worsen as urbanization continues. Urbanization in Asia is
associated with social, economic, political, and environmental transformations of unprecedented proportions” (2).

A prevalent view is that rapid urbanization in Asia is happening in tandem with the urbanization of poverty (UN-HABITAT 2010). Growing urban poverty is an alarming challenge as urban growth continues unabated. Although the Asian “economic miracle” has increased per capita GDP and reduced poverty in some countries, inequalities and poverty across and within countries have not been eradicated; two-thirds of the world’s poorest people (living on less than $1 per day) are in Asia (United Nations 2006).

Poverty remains a defining characteristic of Asia’s cities, and Asia is far from achieving the goal of a region without poverty (Asian Development Bank [ADB] 2004). Available estimates indicate that urban poverty remains high in most countries (Table 11.1).

Urban inequality is rising and is generally higher (more) than rural inequality (UN-HABITAT 2010). From 1990 to 2005, urban inequality in Asia’s three largest countries increased – from 26% of population to 35% in the PRC, from 34% to 38% in India, and from 35% to 40% in Indonesia. In 2009, the PRC recorded its widest urban–rural income gap (33.3:1) since economic reform in 1978, despite high levels of GDP growth (an average of 9.8% per year), high per capita income growth (which increased fifty-fold), and the lifting of some 500 million people

<table>
<thead>
<tr>
<th>Table 11.1 Poverty and inequality in selected Asian countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>Mongolia</td>
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<tr>
<td>Republic of Korea</td>
</tr>
<tr>
<td>Cambodia</td>
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<tr>
<td>Timor-Leste</td>
</tr>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
</tr>
<tr>
<td>Malaysia</td>
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<tr>
<td>Philippines</td>
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<tr>
<td>Singapore</td>
</tr>
<tr>
<td>Thailand</td>
</tr>
<tr>
<td>Viet Nam</td>
</tr>
</tbody>
</table>


Notes:
<sup>a</sup>Consumption inequality.
<sup>b</sup>Income inequality; ... data unavailable.
out of poverty over the past three decades – the largest number in human history. Experts have warned that the PRC’s income gap will continue to expand if the PRC’s government fails to take action soon (Fu 2010).

Although efforts have been made since 2000 to improve the lives of an estimated 178 million slum dwellers in Asia (73 million in South Asia, 72 million in East Asia, and 33 million in Southeast Asia), slum populations, inadequate sanitation, and poor-quality housing conditions are growing in scale (Table 11.2). Poor access to affordable land is a key factor for this growth (Duncan 2007). Estimates indicate that about one-third of Asia’s urban poor do not have access to safe water, and more than two-thirds do not have access to adequate sanitation.

An estimated 505 million people, more than 50% of the world’s slum population, live in Asia – 190.7 million in South Asia, 189.6 million in East Asia, 88.9 million in Southeast Asia, and 35.7 million in West Asia. Although slums and poverty are closely related and mutually reinforcing, it should be stressed that not all slum dwellers are poor. Nonpoor people live in slums because they lack alternative proper housing (Islam and Azad 2008).

In mega-cities such as Bangkok, Jakarta, and Manila, about 25% to 30% of the population, mainly the urban poor, live in informal settlements. They live on marginal land, in flood-prone areas, on landfill sites, and in other unsafe or unhealthy places where they are particularly vulnerable to forced eviction or disasters such as floods and typhoons, reinforcing exclusion, inequality, and poverty. They often do not have legal status in the city and are not mainstreamed into the urban socioeconomic environment. Recent studies (Joshi, Fawcett, and Mannan 2011; Sverdlik 2010) have documented the health risks, insecurity, and other vulnerabilities of the poor, especially of children living in informal settlements with inadequate sanitation, water, housing, and minimal access to health care and other public services.

In Mongolia and the Philippines, the presence of slums has been exacerbated by the oversupply of labor relative to demand. Job creation is unable to keep up with the large numbers of rural migrants moving to urban areas in search of work opportunities. Many end up in the informal economy, with nonstandard wage employment conditions.

The informal economy is a part of Asia’s urbanization dynamics. Often, formal and informal activities take place in the same space, providing basic livelihoods to new migrants. The presence of the informal economy is widely accepted as a characteristic of the early phases of urbanization, an integral part of the transition from a developing to a more-developed economy (Schneider 2004). Ulaanbaatar, Mongolia’s, informal urban zone, consisting mostly of traditional Mongolian tents (gers), houses 47% of the population and lacks basic infrastructure such as water and heating. In many Asian cities, poor people are priced out of formal land markets. Housing shortages and overcrowding are basic problems. Given the number of people living in informal and slum settlements, addressing the shelter needs of the urban poor will be critical to breaking the cycle of poverty and achieving the MDG targets for poverty reduction.
Table 11.2 Urban slum dwellers in selected Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimates and projections ('000)</th>
<th>Percent of urban population</th>
<th>Slum projection</th>
<th>Target 11 ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>714.972</td>
<td>912.918</td>
<td>1,115.002</td>
<td>1,392.416</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>137,929</td>
<td>178,256</td>
<td>219,878</td>
<td>277,616</td>
</tr>
<tr>
<td>Democratic People’s Republic of Korea</td>
<td>117</td>
<td>95</td>
<td>80</td>
<td>67</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>866</td>
<td>940</td>
<td>1006</td>
<td>1084</td>
</tr>
<tr>
<td>Mongolia</td>
<td>11,728</td>
<td>14,385</td>
<td>17,002</td>
<td>20,470</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Cambodia</td>
<td>870</td>
<td>1,696</td>
<td>2,929</td>
<td>5,375</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>1</td>
<td>7</td>
<td>28</td>
<td>140</td>
</tr>
<tr>
<td>Indonesia</td>
<td>17,964</td>
<td>20,877</td>
<td>23,608</td>
<td>27,064</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>422</td>
<td>705</td>
<td>1,073</td>
<td>1,711</td>
</tr>
<tr>
<td>Malaysia</td>
<td>177</td>
<td>262</td>
<td>361</td>
<td>515</td>
</tr>
<tr>
<td>Myanmar</td>
<td>3,105</td>
<td>3,596</td>
<td>4,056</td>
<td>4,635</td>
</tr>
<tr>
<td>Philippines</td>
<td>16,345</td>
<td>20,183</td>
<td>23,984</td>
<td>29,053</td>
</tr>
<tr>
<td>Singapore</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,988</td>
<td>253</td>
<td>47</td>
<td>7</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>8,100</td>
<td>9,197</td>
<td>10,204</td>
<td>11,453</td>
</tr>
</tbody>
</table>


Note:

* Does not include Hong Kong, China, or Macao Special Administrative Regions (SAR), China.
Rural–urban migration considered

Migration to cities is considered a significant contributor to urbanization (Todaro 1997). The economic development literature discusses rural–urban migration as an important factor in urban development – a natural labor transfer moving surplus manpower from rural sectors to urban industries, where the marginal product is positive and rapidly growing as a result of capital accumulation and technological progress (Lewis 1954; Todaro 1976). Contemporary migration theorists have estimated that 21% to 75% of a country’s urban population growth can be attributed to migration (Chen, Valente, and Zlotnik 1998).

Others have studied the reasons for population mobility in the developing world (Lee 1966; Skeldon 1997; Zelinsky 1971). Lee (1966), for instance, described two primary sets of enabling factors that drive migration, popularly known as the push–pull theory: a driver at the source pushes the potential migrant while another source pulls the migrant toward the eventual destination. Satterthwaite (2007), Timberlake (1987), and Todaro (1997), among others, have argued that urban wages and high investment in urban industry and services will strengthen the allure of city wealth (whether perceived or real) and trigger rural–urban migration.

But, the reality is that people who leave rural areas do not always find better lives in the city. They often end up in informal settlements and slums where they lack access to decent housing, water, and sanitation – in effect moving from rural poverty to urban poverty. Compared to established local residents, migrants often work longer hours, earn lower wages, and have almost no chance of obtaining pension, unemployment insurance, or health insurance benefits.

Empirical evidence suggests that migrants in the PRC work an average of 283 hours per month in large cities, and 250 hours per month in small cities, compared to the 184 hours per month worked by established residents in large cities and 183 hours per week worked in small cities, and that the mean hourly wage of migrants is generally about one-third that of established residents (Park and Wang 2010). The failure of a city to meet migrant expectations can catalyze displacement and exurban mobility (Mulvihill and Ali 2007; Potts 1995).

According to Todaro (1997), migration can exacerbate rural–urban structural imbalances in two direct ways. First, in terms of labor force supply, internal migration disproportionately increases the growth rate of urban job seekers relative to urban population growth, resulting in excess urban labor supply while depleting rural areas of their human capital. Second, migration results in lagging demand and limited absorbing capacity in the urban formal employment sector.

Urban job creation is generally more difficult to achieve than rural job creation because of the need for substantial complementary resource inputs, such as production technologies and skills, for many of the jobs in the industrial sector. The result can be either a short-term resource imbalance between the rural and urban sectors, or worse, longer-term chronic and rising urban surplus labor, unemployment, and underemployment (Gugler 1982; Knight and Yueh 2004). The implication is that migration is likely to exacerbate livelihood insecurity and poverty.
The United Nations (1998) reported that about 80% of developing countries have initiated policies to slow or reverse the trends of rural–urban migration. But this is not necessarily the best policy option, especially because the emerging evidence indicates that migration is a complex phenomenon. Migration decisions are influenced by many variables, including socioeconomic and political processes, and the relationships between poverty and migration are not always clear-cut or understood. It is often extremely difficult to separate cause and effect when analyzing the links between poverty and migration (de Haan 2002; Kothari 2002).

In essence, rural–urban migration is dynamic and varies considerably over time and among countries (Table 11.3). Although migration is an important component of population growth, empirical evidence suggests that the high rates of urbanization in Africa and many developing countries are due mostly to natural increase in urban areas rather than rural–urban migration. This contrasts with Asia’s experience where rural–urban migration has begun contributing more to urban population growth than natural increase (Spence, Annez, and Buckley 2009).

**Urban growth in Asia**

In Asia, the main drivers of urban growth are international migration (workers from poor Asian countries moving temporarily or permanently to more prosperous cities in other countries), rural–urban migration, natural increase, and urban boundary changes as cities incorporate nearby agricultural and residential land. In many countries of South Asia, natural increase is responsible for more than 50% of urban demographic growth (United Nations 2001).

Even though natural increase is an important factor, a significant part of Asia’s urban growth increasingly is driven by internal migration from rural, generally poorer areas to urban centers and their peripheries. This is particularly the case where urbanization has been uneven, and is concentrated in major cities. Estimates for Indonesia indicate a decline in the contribution of natural increase to urban growth, from 70% in the 1960s to 32% in the 1990s, whereas the share of migration and reclassification of rural into urban areas increased from 32% in the 1960s to 59% during the 1980s (United Nations 2001; 2008).

Rural–urban migration has been increasingly contributing to urban population growth in Asia. While in the 1960s it was responsible for over 40% of urban population growth, this rose to over 60% in the 1980s (Table 11.3). This trend has

<table>
<thead>
<tr>
<th>Region</th>
<th>1960s (%)</th>
<th>1970s (%)</th>
<th>1980s (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>40.4</td>
<td>46.7</td>
<td>63.6</td>
</tr>
<tr>
<td>Latin America</td>
<td>40.1</td>
<td>40.5</td>
<td>33.9</td>
</tr>
<tr>
<td>North Africa and sub-Saharan Africa</td>
<td>41.2</td>
<td>40.6</td>
<td>24.9</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>40.3</td>
<td>44.1</td>
<td>54.3</td>
</tr>
</tbody>
</table>

Source: Spence, Annez, and Buckley (2009).
continued. For instance, Cambodia’s rapid urbanization can mostly be attributed to extensive rural–urban migration brought about by the end of decades of civil unrest. A more extreme illustration is Mongolia, where provincial towns experience negative population growth as large numbers of people from provincial towns and other rural areas move to the capital, Ulaanbaatar (World Bank 2004). It is not surprising, therefore, that rural–urban migration is a key contributing factor to urban growth in Mongolia, accounting for about 70% of population growth in recent years.

In India, the increase in migration is spurred by the “collapse of millions of livelihoods in agriculture and its related occupations” (Biswas 2011), and massive migrations have been observed to occur hand-in-hand with a deepening agrarian crisis. The migration has been described as the “despair-driven exodus” from the countryside and as “footloose” as millions of poor people drift from place to place “without a clear final destination.” How cities cope with such large migration inflows will strongly influence rural–urban inequality, the pace at which cities expand their economic performance, and the urban environment.

In the PRC, rural–urban migration has gradually grown and has become a momentous force in the country’s economic development and urbanization. According to the 2000 population census, rural–urban migration is the main type of internal migration in the PRC, accounting for 40.7% of total migration (urban–urban migration accounted for 37.2%, rural migration for 18.1%, and urban–rural migration for 4%) (Cai and Wang 2003). In 2004, rural migration accounted for more than 20% of the rural workforce and about 40% of the urban workforce, increasing to 46.7% of the urban workforce by 2006. In some cities, such as Shenzhen, up to 90% of employed workers are migrants.

By 2025, the PRC’s cities are anticipated to receive another 245 million rural migrants. About 50% of the population in medium and large cities will then be migrants, a 200% increase from the current level. Young adult populations have a greater propensity to migrate; about 70% of rural migrants to the city are aged 16 to 35. The main causes of migration include poverty, employment, education, business opportunities, and economic and industrial policies.

The PRC government has attempted to control rural–urban migration through the household (hukou) permanent residence registration system (Fan 2008). However, the system allows temporary mobility, which in combination with the lifting of the food ticket system in 1994 has led to a massive migration of non-hukou people – a “floating” population estimated at between 90 million to 140 million people. The floating population moves between rural and urban areas, or among urban areas in different regions, obtaining temporary jobs, mostly in construction, service and repair industries, and so forth.

Although they are not permanent residents, migrants nonetheless contribute to urbanization; overpopulation in cities; increased demand for basic services;

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2 Chan and Zhang (1999) identified two categories of migrants: those with local residency rights (bendi hukou, or hukou migration) and those without hukou residency rights (non-hukou migration).
development of migrant suburbs with no access to local health care, education, or workplace protection; and depopulation of rural areas, among other effects. Under the current system, non-*hukou* migrants and their children usually are denied access to public education, health care, and social services in their urban places of residence.

But, the emerging evidence from Asia also indicates some benefits of migration (Li and An 2010). In particular, when combined with rapid economic growth, migration has been accompanied by substantial poverty reduction in both rural and urban areas. During the 1990s, the incidence of poverty in Dhaka, Bangladesh, declined 1.4% while the population increased at 6% per year (World Bank 2007). This has led economists to argue that strategies that seek to manage urban population growth by directing resources away from basic urban services (to make cities less attractive to migrants) are misdirected (Spence, Annez, and Buckley 2009). Many economists worldwide are beginning to suggest that migration is not counterproductive to urbanization (Lall, Selod, and Shalizi 2006). What is needed is better urban management to guide urbanization in the desired direction. This is a pertinent issue in Asian cities, in light of peri-urbanization.

In Indonesia, where rural–urban migration contributes more than one-quarter of urban growth, the envelopment of rural land by expanding urban areas (peri-urbanization) also has played a significant role (estimated to be 30% to 35% of urban growth), particularly in densely populated Java (currently 65% urban). That is, in addition to natural increase and rural–urban migration, Asian cities are growing through urban boundary changes as cities incorporate adjoining rural and residential land. Roberts and Kanaley (2006) reported that more than 12 square kilometers of mainly productive agricultural land and foreshores are lost daily to generally poor-quality forms of new or expanding urban development. Developments in the urban fringe are often difficult to control, resulting in chaotic land use. Furthermore, most urban wastes tend to end up on peri-urban land.

In terms of land use, large Asian cities typically display three broad spatial zones (McGee 1991). The first is the core built-up area, which is often the city administrative unit. The second is the metropolitan ring, with a significant share of new and/or relocated manufacturing and service industries and rapid residential population growth. The third is the extended metropolitan region, characterized by a few clear urban/rural settlement boundaries, dispersed patterns of manufacturing and service industries, housing estates and individual construction, and a significant proportion of farmers in non-agriculture jobs.

With the possible exception of Singapore, many developing countries in Asia lack effective spatial planning processes (Yuen 2009). Oftentimes, national policy frameworks and vision-based strategic urban planning have not been developed in critical areas, such as heritage protection or low-income housing, to more accurately identify local comparative advantages, guide new urban development, and address long-term social and environmental challenges.

A preemptive approach is critical if developing countries are to benefit from urbanization and produce win–win solutions that help solve social and
environmental problems rather than making them catastrophically worse. Cities need a longer-term and broader vision of the use of urban space to reduce poverty and promote sustainability. This must proactively include an explicit concern for the housing needs of the poor. Making provision for residential space and affordable housing in locations close to jobs – providing an adequate piece of land (with access to water, sewerage, power, and transport) on which the urban poor can build their homes is fundamental to decent living. Providing it requires a new and proactive approach.

Managing the rural–urban transformation

The general hypothesis is that it has proven virtually impossible to restrict migrants from moving to cities (United Nations 2001). That is, migration is a strategy people adopt to improve their livelihoods, and people will find a way to move if they think it will improve their lives. The policy implication is that, instead of seeking to stop migration, governments should focus their efforts on providing housing and basic services to the migrant and nonmigrant poor. Empirical evidence suggests that inadequate housing provision in cities in many developing countries has led to more informal settlements (Duncan 2007).

Several countries have been noted for their progress in better managing slum improvement during the past 15 years. Public housing is the solution tried out by many cities, including Hong Kong, China, and Singapore (Yuen and Yeh 2011). The success of Singapore’s public housing program suggests several policy lessons, including the importance of political commitment and leadership, proper institutional strengthening at all levels, empowering the poor through secure tenure, and developing housing finance mechanisms that cater to the poor and through which housing savings can be mobilized and subsidies targeted. Several countries have been noted for their progress in better managing slum improvement during the past 15 years. Public housing is the solution tried out by many cities, including Hong Kong, China, and Singapore (Yuen and Yeh 2011). The success of Singapore’s public housing program suggests several policy lessons, including the importance of political commitment and leadership, proper institutional strengthening at all levels, empowering the poor through secure tenure, and developing housing finance mechanisms that cater to the poor and through which housing savings can be mobilized and subsidies targeted.

In Brazil, Egypt, Mexico, South Africa, and Thailand, large-scale slum upgrading and service provision for the poor has been implemented through legal and regulatory reform on land policy, regularization programs, and inclusive policies (UN-HABITAT 2006). As early as 1992, the Government of Thailand established the Urban Community Development Office with $50 million to provide loans, small grants, and technical support to help poor communities upgrade their housing, neighborhoods, and livelihoods. One example is the Baan Mankong (“secure housing”) Collective Housing Program, launched in 2003 with the targets of achieving 200 Thai cities without slums and of upgrading the land and housing of 300,000 poor families in 5 years (Boonyabancha 2009). The program is implemented by the Community Organizations Development Institute (CODI), a public organization under the Ministry of Social Development and Human Security. CODI was established in 2000 through the merger of the Urban Community Development Office and the Rural Development Fund.

The Baan Mankong program has several crucial features. The first is the program’s emphasis on poor people, enabling them to be the core actors in slum improvement, housing, and social development. The basic concept is a people-driven housing development process. The slum communities manage the budget
and plan and implement improvements to their housing, environment, basic services, and tenure security. The program primarily seeks to:

(i) ease access to credit, providing infrastructure subsidies and housing and land loans of up to B150,000 per household, to be repaid over a period of 15 years, and enabling community-built projects;
(ii) ease access to training, technology, and technical support, such as community architects, planners, and university design students to help communities as they develop their settlement layouts and housing designs;
(iii) ease access to land and infrastructure;
(iv) clarify regulatory and policy frameworks;
(v) build capacity among the poor; and
(vi) empower the poor to find solutions to the housing problems in their cities.

It is a mechanism that sets aside urban land for housing the urban poor, enabling them to resolve their housing needs according to their own requirements and conditions by building up their own capacities and allowing them to decide and design various land and housing development activities. As Boonyabancha (2009) argued, land is a fundamental aspect of a more integrated, holistic approach to slum upgrading that helps meet the real needs of poor people and addresses the root causes of poverty. Poor communities are helped and supported in learning from each other through community networks.

Another feature is the program’s emphasis on partnership as the key strategy for solving urban problems. The program builds and harnesses collaboration among key stakeholders – communities, local authorities, development agents, and landowners – in slum upgrading. The program demonstrates that the housing needs of poor communities can be integrated and addressed as a part of the city’s overall development.

Within 5 years, the Baan Mankong program, with a budget of $46 million, was implemented in 1,010 communities in 226 towns and cities across Thailand, involving 54,000 households (Community Organizations Development Institute n.d.). In 2008, the United Nations acknowledged the Baan Mankong Collective Housing Program as a successful “people’s solution” to the problems in urban slum communities. By 2011, the program had supported 90,813 households in 1,546 communities in 277 cities, with housing activities ranging from solving eviction problems and developing secure tenure to land sharing, slum upgrading, housing repair, and citywide housing development.

Since 2009, the idea of a people’s process of housing and slum improvement has been taken up by the Asian Coalition for Housing Rights, through its Asian Coalition for Community Action (ACCA) Program (2009–11), to support a community process of citywide upgrading at scale in 150 Asian cities (Asian Coalition for Housing Rights 2010). The ACCA program involves community-driven surveys, networking, partnership building, dealing with eviction problems, and strengthening community savings among the urban poor. The goal is structural change through working at scale to resolve urban land and housing problems, with
poor communities as the solution makers and prime agents of change in people-led, community-driven development. By February 2011, the ACCA program had been implemented in 120 cities in 15 Asian countries, including Cambodia, Indonesia, Nepal, the Philippines, Sri Lanka, and Viet Nam, lending support to the strategy of getting people to implement their own housing and slum improvement process.

This and other people-led strategies, such as the slum networking project (Parivartan) in Gujarat, India, and Shack/Slum Dwellers International’s people-managed resettlement in Mumbai, India, demonstrate that the urban poor themselves can provide the central impetus for change and improvement, especially when supported by vision, commitment, and resources.

**Infrastructure and services**

An integral aspect of slum improvement is urban infrastructure, especially water and sanitation. In recent decades, Asian cities have made considerable progress in providing access to safe and reliable water supply and sanitation services. The overall assessment has been that most Asian cities are on track to achieve the MDG target for access to water, though many are likely to miss the sanitation target (United Nations 2010). Estimates indicate that large sums will be required to invest in and adequately maintain urban infrastructure. Asian cities would need some $10 trillion over the next 10 years to meet their urban infrastructure requirements.

Although public (national) investment has been the predominant mechanism in urban infrastructure provision, municipal authorities increasingly have become the key providers. Some local governments have started to explore ways to increase local revenue, such as through land leasing income, user fees, property taxes, public–private partnerships, and other methods (Peterson and Annez 2007). For instance, cities in India and the Philippines are looking at streamlining property tax collection and assessment systems, including the use of information technology and geographic information system to improve property tax collection. Some local governments in the PRC (e.g., Shanghai) and India (e.g., Ahmedabad) have issued municipal bonds to finance urban infrastructure (ADB 2011). ADB has introduced local currency loans to help cities and local authorities better manage foreign exchange risks.

Although most Asian countries do not impose any restriction on internal population movements, some – such as the PRC – have adopted mechanisms to regulate and restrict migration to urban areas. Other attempts have sought to make cities relatively unattractive and inhospitable to migrants. Anti-slum drives, such as bulldozing informal, low-income settlements, make it difficult for new migrants to secure property rights to land or acquire access to public services. Many of these measures have little effect except to lower welfare, especially among the urban poor.

Reducing or reversing rural–urban migration is the common policy objective; 51% of governments in Asia considered such a demographic change to be desirable (United Nations 2008). The general underlying premise has been that
urbanization in itself does not contribute to development and that people move in response to poor economic and living conditions in rural areas. Accordingly, given the predominant rural population and the number of rural poor (93% of the poor in East Asia and 75% of the poor in South Asia live in rural areas), many Asian countries have prioritized development of rural rather than urban areas as a way of bridging the rural–urban gaps in income and economic opportunities and enabling enhanced economic and social mobility (ADB 2000; Mehta and Shah 2003). The tendency is to look at rural and urban development as separate issues.

But the rural–urban divide is not a discrete attribute. Investments in urban and rural areas are not mutually exclusive or competing. Several empirical studies have shown that rural–urban linkages play an important role in the processes of rural and urban change (Douglass 1998; Lynch 2005; Tacoli 2002). Furthermore, definitions of urban and rural areas can vary vastly, depending on the criteria used.

Since the 1990s, an increasing number of Asian countries have recognized the link between economic growth and urbanization and have explicitly or implicitly promoted urbanization and a more proactive position on urban growth. As demonstrated by the PRC’s experience since economic reform, the urban transition provides important opportunities to reduce poverty.

The urban context has been more widely recognized since cities became the major drivers of national economies in Asia. As in other regions of the world, Asian economic growth is led by cities. Asian cities contribute 80% of the region’s gross domestic product. Many Asian cities are becoming increasingly integrated into the global economy, suggesting a finer targeting of growth strategies to enhance competitiveness in the worldwide urban sphere. Common policy tools include: a combination of different sectoral strategies, such as land redistribution; migration management (including basic skills development of migrants, establishing publicly regulated employment-seeking services for rural–urban migrants, and social protection for migrating families and those they leave behind); rural job creation; improved access to credit, health, and education; spatial planning; and urban infrastructure programs, given the relationship between infrastructure and economic growth. To reap gains from localized growth in globalizing economies, the policy response is increasingly to facilitate rather than hamper migration from low-productivity to high-productivity areas, in accordance with national priorities.

India, which views its villages and agriculture as engines of rural growth and poverty reduction, has introduced the National Rural Employment Guarantee Act, promising 100 days of wage labor for one adult member in every rural household who volunteers for unskilled work, as a way of transforming rural livelihoods. India also is investing in infrastructure, for example, the Golden Quadrilateral highway project that will connect four major metropolitan areas. The ability to facilitate connections between cities, production centers, and markets is crucial to long-term economic development.

In anticipation of rapid urban expansion and a modern urban nation, cities in the PRC also are making major investments in urban infrastructure. Beijing and Tianjin invest more than 10% of their respective GDPs on road, transport, water, and sewerage networks and housing construction (Yusuf and Saich 2008). Realizing
the vital contribution of migration to economic growth and rural development, the PRC has taken steps to reform its *hukou* system and to shift its migration management policy away from control of internal migration and toward acceptance, facilitation, and encouragement, using laws and policies to provide public services and social security and to improve the rights protection and welfare of rural migrant workers in the cities.

In post-Doi Moi Viet Nam, greater attention has been directed to making cities more acceptable and attractive as centers of formal and informal business, and to balancing development and capital investment among urban and rural areas, thereby ending the period of urban neglect. It is investing 10% of its GDP in infrastructure. Given the city-led economic growth and concomitant increasing demand for workers, controls on official migration have been less strictly enforced, and Viet Nam has used temporary permits to ensure a steady supply of labor in its cities.

It should be stressed that the liberalization of labor migration must be accompanied by the development of housing and accessible infrastructure for migrant workers. Policy makers need to recognize the effect of migration and its importance for poverty reduction, growth, and development. Unless policy and infrastructure priorities are directed toward developing better services and social protection to ease the hardships of poor migrants, migrant populations are less likely to reach the MDGs, especially those relating to education, well-being, health, and environmental sustainability.

**Sustainable development**

The basic diagnosis of urbanization in Asia suggests that most Asian countries are in the early stages of urbanization. Given Asia’s large population and its rapid economic and urban growth, it is imperative that countries prepare for urban expansion in order to take full advantage of the agglomeration effect. More importantly, there is a critical need to ensure that urban development in Asia is sustainable and low carbon, to better alleviate the negative aspects of urbanization such as congestion, pollution, and slums and to address climate change.

More than half of the world’s low-elevation coastal cities are in Asia. Their heavily populated river deltas and low-elevation coastal zones, including capital cities such as Bangkok, Jakarta, and Tokyo, may become inundated by rising sea levels (ADB 2009). Thus, the transition to sustainability demands urgent and priority action on climate change. Cities have the potential to take leadership and to influence both the causes and consequences of climate change.

Although it is challenging, urbanization can be a positive driver of sustainable economic, environmental, and social development. Urbanization not only can create jobs and reduce energy consumption but also can ease population pressures in rural areas. As UN-HABITAT (2009) stated, “Well-planned and well-regulated cities hold the key not only to minimizing environmental losses but to generating creative solutions to enhance the quality of the environment and to mitigate the negative consequences of climate change” (18).
Increasingly, the global discussion is about reappraising and strengthening planning as a tool to reformulate urban development (UN-HABITAT 2009). In particular, planning has the potential to unlock unsustainable urban form and infrastructure investments and deliver city growth, including growth for the poor. A recent review of the state of urban planning indicated that urban plans and planning systems in many developing countries in Asia have not kept pace with current urban challenges (Yuen 2009). The question is how planning can be made more robust for the purpose of combating expanding informality and poverty in burgeoning cities, providing an effective response to contemporary urban challenges and the new role of cities.

A key entry point is to look at cities as dynamic, living organisms (and the rural–urban dichotomy as a continuum) that form part of the system that promotes poverty reduction, improves quality of life, protects the environment, and bolsters the economy. Seetharam (2006) stresses the need to take a holistic approach, proposing the living cities framework as a basis for defining the content of the urban agenda and the policy interventions that will have an effect on the quality of life and the sustainability of the entire city. The primary concerns can be summarized with the acronym CITIES:

(i) C: **Competitiveness**, which is crucial for cities to become the engines of a country’s growth, and **commitment** on the part of local political administrations, which is crucial for cities to maintain competitiveness.

(ii) I: **Infrastructure** of cities (i.e., basic services) must be efficient and affordable to achieve competitiveness. Infrastructure should be improved and expanded expeditiously and operated on commercial principles that ensure sustainability.

(iii) T: **Transport** should provide mobility and be safe and reliable for the city to function effectively. Successful city residents spend nearly one-third of their time on the road and on the phone.

(iv) I: **Information** is the key factor in good governance, which is necessary for the continued success of the city. Transparency and low transaction costs through e-government are required.

(v) E: **Environment** (i.e., quality of life, open space, air quality, and so forth) is crucial to city living. When the state of the environment is good, the city will be livable and sustainable. Cities are not spaces just for making a living; they have life.

(vi) S: **Shelter** (the adequacy, availability, and affordability of housing space through appropriate planning, land use, and housing policy) is a salient feature of a city with a vision that promotes sustainable linkages between urban and rural areas.

In reviewing this proposal, it would seem clear that harnessing rapid growth must not be the lone action of the government. It requires the coordinated efforts of both public and private sectors and empowering all city stakeholders, including the poor, to participate in the development process. In an increasingly globalized
world, the lack of attention to the land, housing, and services needs of the poor can seriously erode a city’s ability to attract investments, and ultimately can affect its competitiveness, viability, and sustainability.

**Conclusion**

Cities are at the heart of urbanization in Asia. Although they are the engines of growth, Asian cities also are intense sites of poverty, slums, and a whole host of other urban inadequacies. In most cases, the deprivations create a vicious cycle of decreased ability of the poor to earn a sustainable livelihood. Even so, cities continue to attract flows of people, goods, and ideas across the changing landscape of urbanization. Aside from natural increase, migration and the reclassification of rural areas into urban areas have been a key force in Asia’s urbanization in recent decades.

The prevailing experience is that urbanization is critical for overall poverty reduction; however, in many developing countries the ongoing urban growth is far from fulfilling its social and environmental potential. Despite some improvements, urban poverty and slums are growing quickly. Addressing these challenges of urbanization requires reappraisal of the rural–urban dichotomy and a new vision of development. Planning is increasingly essential. Unplanned cities contribute to urban poverty and create vulnerability in many countries.

If cities are to maximize the potential benefits of urban life for their residents, cities will need to create better and more secure living environments with acceptable levels of basic services and infrastructure, including services and infrastructure for rural migrant workers and the poor in a city. Admittedly, this is not an easy task. It will require a range of socioeconomic, environmental, and political economy initiatives that surpass the scope of this chapter. But, it is an action that can be critical to improving quality of life and making a city more livable for the entire population.

Cities need to plan now (not later) for rapid urban growth, including the land and housing needs of the poor. This requires reinvigorating existing, inadequate urban planning with the strategic view of urbanization: that cities are the engines of development and should be planned and managed to make them more efficient and sustainable at the scale of the challenges. A holistic approach rather than segmented, sectoral interventions is paramount. Equally important is the involvement of stakeholders in sustainable urban development. Approaches such as demand-driven, people-led housing development (e.g., the ACCA or Baan Mankong programs) and the living cities framework to make cities more attractive and habitable offer possibilities for creating urban growth and reducing poverty.

The key message here is that if cities are planned in advance of migration and population growth and are properly managed, they have the potential to act as transformational agents that can reduce urban poverty and energize a whole country. The sustainable use of urban space could facilitate positive rural–urban interactions and make a significant difference in poor people’s well-being and in environmental outcomes.
Migration and slums in urban Asia

References

3 ADB recognizes China by the name People’s Republic of China.


Every society, regardless of its level of economic growth or inclusive development, needs social safety nets. Social safety net refers to “noncontributory transfer programs targeted in some manner to the poor or vulnerable” (Grosh et al. 2008, 4). This is a narrower definition than social protection, which also includes developmental programs for families and children as well as contributory insurance programs for financing health care, pension, and unemployment benefits for the entire population. Social safety nets are the basic building blocks on which social protection is built and flourishes. The range of safety net programs and the level of associated expenditures are rather limited, whereas social protection programs vary a great deal, depending on economic, cultural, and political conditions.

It is now broadly accepted in the mainstream discourse on development that social safety nets serve a variety of vital objectives (Davies and McGregor 2009; Grosh et al. 2008). First, social safety nets alleviate inequality and extreme poverty by targeting support to the poor. Second, they promote human development by enabling households to make better investments in their futures. Third, they promote social cohesion by giving the poor a stake in the economy and society and thereby building support for economic and political reforms. Finally, they serve as automatic macroeconomic stabilizers during economic decline by supporting consumption by the poor.

Mainstream as the idea may be today, only a decade ago the idea of safety nets was largely foreign to much of Asia. Indeed governments in the region, egged on by international organizations and investors, celebrated their concentration on economic growth and avoidance of social welfare, which they portrayed as wasteful and as the root of Western economic and social malaise. The onset of the economic crisis in 1997 forever changed that mode of thinking as governments were dragged into dealing with the social consequences of the economic recession, a task for which they were ill prepared. Though only a few governments moved boldly toward establishing an enduring and broad social safety net system, programs of different levels of stringency and generosity nevertheless have been established.

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throughout the region and are in the process of being expanded at varying paces. Although no reliable data is available, increasing public expenditures on social security and welfare suggests strongly that governments are paying increasing attention to social safety nets (Asian Development Bank [ADB] n.d.).

The range of social safety net programs is vast and includes the following:

(i) Cash or in-kind transfers, whether means tested or categorical. The transfers may be unconditional or conditional. Conditional cash transfer (CCT) is a newer form of assistance that is characterized by the requirement for beneficiaries to meet specified health and education conditions.

(ii) Price subsidies, often for food or energy.

(iii) Labor-intensive public works schemes to create employment opportunities for the unemployed.

(iv) Fee waivers for essential services such as health care, education, utilities, and transport.

Although the range of social safety net programs is vast and the number of people they benefit potentially can be large indeed, they involve only modest public expenditures, representing 1% to 2% of gross domestic product (GDP) on average (Grosh et al. 2008). More than the overall level of spending, what matters is the exact composition of the spending because different programs succeed to different extents in protecting the population. Targeted means-tested programs, for instance, may cost less but have the unintended effect of excluding many poor and including many nonpoor, especially in the absence of effective mechanisms for identifying the poor. Similarly, price subsidies for food and energy, meant to provide relief to the poor, are disproportionately utilized by the rich who tend to consume more of these commodities. No less significantly, programs must take into account social and economic contexts and the individual circumstances of the beneficiaries. Public works programs, for instance, do little for the aged, sick, or disabled poor. Similarly, CCTs predicated on school attendance and health care make little sense in areas where there is shortage of schools or health care facilities. Unfortunately, poorly designed and misdirected programs are rather the norm around the world.

This chapter examines the social safety net arrangements in Indonesia and the Philippines for the purpose of assessing their performance in protecting the population without unduly straining the public purse. It will focus particularly on programs for the poor, both long term and transitory, with special attention to programs meant to address the effects of economic crises when the need for them is the most acute. The review of the two countries’ recent experience with social safety nets indicates that, although the situation has improved tremendously in terms of the quality of the programs and the protections offered, much remains to do be done if the population is to receive the protection it deserves without undermining public finance. The chapter concludes with recommendations about the types of program that contribute to inclusive development and, hence, deserve greater prominence in governments’ social safety nets system.
Fluctuating economic conditions in Asia and their social effects

After decades of rapid economic growth, the region was engulfed by a horrific economic crisis in the autumn of 1997, which continued to worsen for a year before gradually improving. The recovery was slow and, indeed, the region never returned to the buoyant levels experienced in the pre-crisis days. Just as the growth conditions had stabilized, moreover, the region was swept by another economic crisis, in autumn of 2008. Fortunately for the region, this crisis was largely over within a year.

The region’s fluctuating economic fortunes in per capita terms are captured in Figure 12.1, which shows that Indonesia has experienced large fluctuations, whereas the Philippines has experienced neither the boom nor the bust experienced by its neighbors. In 1998, GDP shrank by 14% in Indonesia and only 3% in the Philippines. During the 2008 crisis, on the other hand, Indonesia’s GDP actually grew by 4% in 2009 and the Philippines’ GDP growth only stalled, unlike some other neighboring countries, which experienced massive contraction. What the figure does not show is the slump in business and consumer confidence in late 2008, leading governments to prepare for the worst in the wake of what was described at the time as the worst economic crisis since the 1930s.

Decline in economic growth was, expectedly, accompanied by an increase in unemployment, which rose by 17% in 1998 in both Indonesia and the Philippines (Figure 12.2). However, the official unemployment rate gravely underestimates the problem because a large amount of informal employment and underemployment in developing countries is not captured in unemployment statistics. The 2008–2009 slowdown was too short and thin to be reflected in the unemployment rates.

The effects of the economic crises are aggravated if accompanied by an increase in consumer prices, as was the case during the 1997–1998 crisis. Indonesia was particularly affected – prices jumped 77% in 1998. Prices did not increase by the same margin during the 2008–2009 crisis, though the increase was still

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*Figure 12.1 Annual gross domestic product growth per capita, Indonesia and the Philippines, 1995–2010.*

Source: World Bank (n.d.).
substantial – as much as 12% in Indonesia and the Philippines in 2008 – as a result of historically high petroleum and food prices.

Developing countries are particularly sensitive to food prices because food forms a large proportion of their consumption: 40% in Indonesia and 50% in the Philippines (Brahmbhatt and Christiaensen 2008). Moreover, because food forms an even larger proportion of the poor’s consumption, the poor are disproportionately affected by food inflation. Food prices in Indonesia rose by 81% in 1998 and 25% in the following year, severely affecting already suffering poor households. The increase was less steep in the Philippines, but was acute nonetheless, given the broader context of declining income.

Even during economic booms, there often are significant pockets of poverty that are aggravated by recession. This was evident in the region during the 1997–1998 crisis, when reduced economic growth and rising unemployment and inflation were accompanied by an increase in poverty. Head count poverty rate (at purchasing power parity of $1.25 per day) in Indonesia rose from 43% in 1996 to 48% in 1999 (Table 12.1); however, the most significant impact is discernible in the $2-per-day (purchasing power parity) poverty head count index, which increased from 77% in 1996 to 82% in 1999. Even in 2006, when economies were growing at a healthy rate, the $2-per-day poverty rate stood at 63% in Indonesia and 45% in the Philippines. Although there was no noticeable increase in poverty during the 2008–2009 crisis, there was widespread alarm in February 2009 when the World Bank projected that as many as 53 million additional people around the world could be trapped in poverty due to the crisis (World Bank 2009a).

A decline in economic activity is accompanied by worsening public finance, as revenues shrink while expenditure commitments rise. In 1998, government revenues as a percentage of GDP declined in Indonesia and the Philippines while expenditures increased, leading to significant budget deficits (Figure 12.3).

Rising unemployment and poverty during economic slowdowns are typically associated with higher public spending on social safety nets; however, this is true...
Table 12.1 Poverty head count ratio, Indonesia and the Philippines, various years (% of population)

<table>
<thead>
<tr>
<th>Year</th>
<th>$1.25 per day (purchasing power parity)</th>
<th>$2 per day (purchasing power parity)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Indonesia</td>
<td>Philippines</td>
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<tr>
<td></td>
<td>Indonesia</td>
<td>Philippines</td>
</tr>
<tr>
<td>1996–1997</td>
<td>43.4</td>
<td>21.6</td>
</tr>
<tr>
<td>1999–2000</td>
<td>47.7</td>
<td>22.5</td>
</tr>
<tr>
<td>2006</td>
<td>28.6</td>
<td>22.6</td>
</tr>
<tr>
<td>2009</td>
<td>20.4</td>
<td>18.4</td>
</tr>
</tbody>
</table>

Source: World Bank (n.d.).

Figure 12.3 Public revenues and central government expenditures as a percentage of gross domestic product, Indonesia and the Philippines, 1995–2010.

Source: Asian Development Bank (n.d.).

Note: INDO = Indonesia; PHIL = Philippines; Exp = expenditures; Rev = revenues.

only if there are public programs that automatically pay benefits in the event of unemployment or poverty. Because this was not largely the case in Southeast Asia, social security expenditures declined at first, in 1997, before beginning to rise in 1999 after new programs were established. The Philippines is a modest spender on social programs with relatively small fluctuations. Indonesia, in contrast, has been consistently increasing its social policy expenditures, though it is not possible to confirm this due to a lack of comparable recent data following the transfer of much expenditure responsibility to local governments in 2005.

Public spending on social safety net has been around 0.5% of GDP in Indonesia and 0.3% in the Philippines (Manasan 2009; World Bank 2009b). The two countries’ spending on safety nets is less than half the mean spending of
87 countries surveyed (1.9% of GDP) (Grosh et al. 2008). Like many developing countries, Indonesia offers massive subsidies for fuel, despite concerted attempts since the early 2000s to reduce this subsidy. In 2011, the Indonesian government spent 16.4% of its total budget on fuel subsidies (down from 29% in 2005), which was many times more than its combined spending on education, health, and social security (International Institute for Sustainable Development 2012). In the Philippines, on the other hand, the largest share of social safety net spending is channeled to food subsidies. Even in relatively normal times, such as 2007, 29% of the total was spent on food subsidies, rising to 69% in 2008, when food prices were unusually high. Spending on a CCT program (the Pantawid Pamilyang Pilipino Program, or 4P), however, has risen greatly in recent years, increasing from 0.3% of total social safety net spending in 2007 to 2.1% in 2008 (Manasan 2009). 4P is funded from the regular government budget.

There is a general lack of consistent household survey data in Southeast Asia, which makes it nearly impossible to accurately assess the social effects of economic downturns and the extent to which government programs protect the population. The ad hoc surveys conducted in 1998 provide no context for the circumstances that existed before the crisis or what followed. The various micro-level surveys in Indonesia in early 1998 indicated highly divergent trends, which is unsurprising given that they employed different samples and methodologies. Nevertheless, these surveys pointed to acute adverse social effects of varying degrees: children were being pulled out of schools, nutrition level was declining, health care access was shrinking, and so on. The findings, albeit patchy and cursory, painted a grim picture of the emerging social reality that reversed only after massive interventions by governments and international organizations.

The unavailability of data for 2008–2009 showed that little had changed in terms of governments’ data collection efforts. No country in the region collected systematic data that indicates how households coped with the crisis in 2008–2009. It is unknown whether any effort has been made since to improve data gathering efforts in preparation for the next crisis.

**Social safety net arrangements**

When the economic crisis erupted in late 1997, no country in Southeast Asia had social support arrangements adequate for the massive task at hand. As a result, these countries had to hastily expand existing programs and establish new ones. The social safety nets were only slightly better when the next economic crisis struck the region in 2008. But this time around, Southeast Asian governments acted quickly and decisively, though the crisis did not eventually turn out to be as harmful as initially projected. If another crisis were to occur today, what mechanisms can citizens be expected to turn to? Even more importantly, what mechanisms exist to protect households against contingencies on an ongoing basis? These questions are addressed in the following discussion.
The current social safety net system in Indonesia is built on the cathartic experience of the 1997–1998 economic crisis. The programs that existed at the time included subsidized fuel and rice, which was available to the entire population, regardless of income. Fuel subsidies alone accounted for nearly 50% of total government spending on social safety nets; food subsidies accounted for 40%; and subsidies for electricity, medicines, and fertilizers accounted for the remainder (Blomquist et al. 2001). Without experience or financial resources to handle the crisis, the government was paralyzed until technical and financial support from international organizations arrived. Once started, however, Indonesia continued to reform and strengthen its social safety net system.

After months of wavering, the government announced the Jaringan Pengaman Sosial (Social Safety Net) programs in mid-1998. The 1998–1999 budget allocated Rp3.9 trillion to these programs, representing 30% of total public expenditures (Setiawan n.d.). Of total Jaringan Pengaman Sosial spending, 26% was for education, 17% was for regional development, 12% was for health, and 8% was for transportation infrastructure. With the cost of subsidies rising, in 1998 the government replaced the general subsidy for rice with a new scheme (OPK), subsidizing only the lower-quality rice that the poor were likely to buy. By mid-2000 OPK rice was reaching about 13 million families at the cost of Rp5 trillion, representing 3% of total government spending or 0.004% of GDP. The government also launched a labor-intensive public works program (Padat Karya), which created employment for 400,000 people at the cost of nearly Rp10 trillion (Betcherman et al. 2000). Furthermore, it launched community development programs, providing grants and revolving credit to the poor and unemployed to improve infrastructure while generating employment. To maintain access to critical public services, the government spent almost a trillion rupiah on schools and school lunch programs in 1998–1999 (Blomquist et al. 2001). Grants were also given to village health centers, to provide critical health services and nutritional support for mothers and infants.

Indonesia continued to expand and refine its social safety net programs (in addition to political and administrative reforms) after the crisis. Notwithstanding the continuing economic sluggishness, in 2002 it adopted a constitutional amendment committing the government to offering comprehensive social security to the entire population. In 2004, the Sistem Jaminan Sosial Nasional (National Social Security System) law was enacted, providing health insurance, pension, employment injury, and death benefits. Specific programs to implement the system were adopted in the following years, and the process continues.

The successive reduction of fuel subsidies (known as Program Kompensasi Pengurangan Subsidi Bahan Bakar Minyak) in the mid-2000s opened fiscal space for the government to launch new safety net programs and expand existing ones. The most drastic change took place in March and October 2005, when the government compensated for its deep reduction in fuel subsidies with a major expansion of health, education, and cash transfer programs. Subsequently, the Medium-Term Development Plan 2010–2014 affirmed the government’s commitment to
expanding social safety nets and shifting from universal subsidy programs to targeted programs. To coordinate the implementation of the expanding programs, the National Team for Accelerating Poverty Reduction, under the charge of the vice president, was established in 2010.

After a decade of efforts to expand and reform social safety nets, Indonesia now has the following major programs:

(i) subsidized rice for the poor (Beras Miskin, or Raskin);
(ii) unconditional cash transfer program (Bantuan Langsung Tunai, or BLT);
(iii) conditional cash transfer program (Keluarga Harapan, or PKH); and
(iv) health insurance for the poor (Asuransi Kesehatan Miskin, or Askeskin, renamed Jaminan Kesehatan Masyarakat, or Jamkesmas).

In addition, the government offers scholarships for senior secondary school students (Bantuan Khusus Murid) and operates a significant village infrastructure-building program (Infrastruktur Pedesaan). Most importantly, Indonesia spends a huge amount on subsidizing fuel, ostensibly to help the poor, though much of the benefit goes to the nonpoor.

Raskin, BLT, and Jamkesmas target the same population group – the poor and near-poor living on incomes of less than 1.2 times the poverty line – and are the largest in terms of population coverage and expenditure. In 2008, BLT accounted for 40% of total social safety net expenditures, Raskin accounted for 34%, and Jamkesmas accounted for 13% (World Bank 2009, cited in Sumarto and Bazzi 2011). In terms of population coverage, 52% of all Indonesian households received Raskin benefits, 27% received BLT benefits, and 28% received Jamkesmas health cards (Alatas, Purnamasari and Wai-Poi, cited in Sumarto and Bazzi 2011).

Raskin is rooted in the erstwhile OPK program, which was launched in 1998 to cope with rising food prices by providing subsidized rice. In 2002, the program was revamped and efforts were made to direct the rice to the poor, but efforts were undermined by lack of data identifying the poor. Thus, in 2003, only 18% of Raskin expenditures benefited poor households, whereas 52% was channeled to nonpoor households and 30% was spent on administration. At the same time, the program suffered from fewer exclusion errors than other more targeted programs. Thus, 77% of poor households reported receiving benefits in 2009, which is vastly higher than the rate of other programs (SMERU 2008). The government continues to refine the program and now uses a better database to identify the poor, though critics continue to attack it for wastage and market distortion.

Recognizing the limits of private health care financing during the 1997–1998 crisis, the government tried out small-scale public programs before launching Askeskin/Jamkesmas in 2004. Jamkesmas covers around 76 million beneficiaries, making it the largest social assistance program in Indonesia. This is in addition to the Askeskin scheme, which has offered health insurance to government employees since 1968. Jamkesmas is a means-tested program, the cost of which is borne entirely by the central government. The scheme provides free inpatient and outpatient care at public health facilities and in the third-class wards of public or private
hospitals. Total utilization of services is estimated to have increased by 50% for ambulatory care and by about 106% for inpatient care since the launch, and there is evidence of greater equity in the utilization of health care (Center for Health Market Innovations n.d.).

BLT is an unconditional cash transfer program that was established as a temporary, 1-year program in 2005 and again in 2009 in the aftermath of increases in fuel prices. The program provided Rp100,000 per month for 1 year to approximately 19 million households forming 34% of the population. The benefit amounted to approximately half of monthly median expenditures (Sumarto and Bazzi 2011). Surveys showed that although BLT recipients were poorer than nonrecipients, half of the lowest quintile did not receive any benefits, whereas more than one-third of all recipients were in the top three income quintiles. Program evaluations have shown that BLT contributed to poverty alleviation in the short run but was insufficient to smooth out the income volatility of poor households, who tend to slide in and out of poverty.

In 2007, the government launched a conditional cash transfer program called Keluarga Harapan (PKH), or Hopeful Family Program. It was initially launched as a pilot program in seven provinces, but by 2010 it had been expanded to 20 provinces serving almost 800,000 households and is expected to cover 6.5 million households by 2015. The government has indicated that CCT will form the basis for further expansion of the social safety net system in Indonesia. PKH benefits are targeted at poor households with pregnant women or children up to 15 years old. Benefits range from Rp600,000 to Rp2.2 million annually, depending on the number of children in the household. The average transfer per family is Rp1.4 million, equivalent to 27% of the national poverty line. Receipt of benefits is conditional on regular school attendance by children ages 6 to 15, and mothers and their children availing themselves of specified health care. Early evaluations show that PKH has had a positive effect on child and maternal health and education, especially in areas with strong infrastructure for provision of public services (Sumarto and Bazzi 2011).

The government is considering the establishment of an employment creation program as a part of its social safety net system, following an International Labour Organization (2006) report proposing a national employment guarantee program targeted at the poor. The objective of the program would be to create economic opportunities in rural and semi-urban areas while building productive long-term assets. Although the proposal is still in the preliminary consideration stage, Indonesia has a positive experience with another public employment creation program (Padat Karya), established in 1998.

Initially, Padat Karya concentrated on small infrastructure projects in rural areas, and the objective was to quickly create employment and bolster income in rural areas. As time passed, eligibility for participation in the Padat Karya scheme was tightened and its goals were broadened. Later evaluation showed that the initial design was more conducive to providing emergency income support to the most needy because it was able to disburse funds quickly by identifying the poorest geographic areas and providing funds directly to the targeted local
government (Curtain 1999). The subsequent expansion of the program was accompanied by requirements for finer targeting, systematic project selection, greater transparency, and more-stringent accountability; however, these additional conditions are believed to have significantly reduced the program’s income support potential. The need for simplicity is a lesson that policy makers should keep in mind while designing a national employment guarantee program.

Indonesia’s revamped social safety net system was tested when the global economic crisis erupted in late 2008. Although the Indonesian economy was growing at a healthy rate at the time and there were more safety net programs in place than in 1997, the government acted swiftly and announced a fiscal rescue package worth Rp68 trillion, or 1.3% of GDP, for 2009. Much of the funding was for infrastructure construction and community empowerment programs (World Bank 2009b). Moreover, unlike in 1997, when the government had difficulty identifying the poor for the purpose of providing relief, this time it had a register of 19 million poor households in the country to whom benefits could be targeted quickly.

Philippines

After losing decades to Marcos’ mismanagement and only gradually recovering from it, the Philippines was in no position to face a deep or prolonged economic crisis in the 1990s. Fortunately, it was spared the worst ravages of the crisis as the economy showed surprising resilience. Yet all was not well. The 1997 crisis was preceded by El Niño droughts that devastated rural income, and this was aggravated by the regional economic slump. In 1998, the economy shrank by 2.6% while unemployment rose from 8.6% to 10%. As a corollary, poverty rate increased from 32% to 35% in 1998 (Bautista 1999). At the same time, the government’s total spending declined, with spending on health care declining by as much as 8 percentage points. The combined adverse effect of El Niño and the economic crises on poor households was considerable (Datt and Hoogeveen 1999). Participation in both elementary and secondary schools declined, and five out of six regions experienced declines in immunization in 1998 (Economic and Social Commission for Asia and the Pacific (ESCAP) 2001).

The Philippines adopted the National Health Insurance Act in 1995, stipulating the establishment of health insurance for the entire population by 2015. The National Health Insurance Program established under the act and administered by PhilHealth has five classes of membership, including the Sponsored Program (established in 1997) for the bottom income quartile, as identified by local governments. By 2008, 67% of poor households had been insured under the Sponsored Program; however, enrollment errors are widespread, due to lack of accurate poverty data and political meddling. As a result, it is estimated that at least 49% of poor households remains uncovered (Manasan 2009).

The premium for the Sponsored Program is set at P1,200 and is paid jointly by national, provincial, and municipal governments. The scheme provides both inpatient and outpatient care to the insured at approved facilities; however, there
is an insurance payment ceiling, leaving members to pay the remainder out of pocket. As a result, it is estimated that the total value of insurance payments forms only 50% of hospitalization expenditures, which discourages utilization by the poor despite the insurance. This is confirmed by the fact that although sponsored members formed 24% of total membership, they received only 15% of PhilHealth benefits (Manasan 2009).

During the 1998 crisis and the ensuing years, the Philippines government launched a large number of programs of varying longevity and quality, which it implemented with usually low levels of enthusiasm and capability. Programs included a variety of small-scale public works, job training, credit facility, and livelihood assistance programs. The government also launched the Lingap Para sa Mahihirap (Caring for the Poor) program, with a budget of P2.5 billion, to deliver medical assistance, livelihood, housing, potable water, and subsidized food to the 100 poorest families in every city and province nationwide. The program fizzled out quickly due to a lack of data identifying the poor.

Rice has been heavily subsidized in the Philippines since the early 1970s and the program was expanded during economic crises. It is an indirect subsidy scheme whereby the National Food Authority purchases rice on local and international markets and sells it at reduced prices of up to 25% (Santolan 2010). In the past, it was a general subsidy available to anyone who purchased National Food Authority rice, but eligibility has been gradually tightened and is now targeted only at families living on incomes below the food threshold of P5,000 per month. The transfer of implementation responsibility – from the National Food Authority to the Department of Social Welfare in 2011 – affirmed its changing orientation. The total cost of National Food Authority interventions has fluctuated considerably over the years, depending on market conditions. Subsidies amounted to 0.3% of GDP in 2006, 0.1% in 2007, and 0.6% in 2008. These are larger amounts than the government spent on social safety net programs.

In 2003, the government relaunched Comprehensive and Integrated Delivery of Social Service (originally launched in 1994) as its flagship program under the name of Kapit-Bisig Laban sa Kahirapan. This community development and empowerment program focuses on a range of family, community, and infrastructure projects in 40 provinces with high levels of poverty. The majority of funding for the program came from World Bank loans. By 2008, the program had funded 4,364 projects worth P4.8 billion and benefiting 865,569 households. Midterm review revealed that the program generated an average internal return of 21%, with the level of return varying substantially across type of project (Manasan 2009).

Significant improvements in the social safety net system in the Philippines occurred in the final years of Arroyo’s administration, partly triggered by emerging data showing that social development stalled during her rule. In 2005, the government launched the Food-for-School program, offering 1 kilo of rice to eligible poor families for every day their children attended a school or day care center. In July 2008, it launched the Tulong Para Kay Lolo at Lola project, which offered one-time cash subsidies of P500 to all those age 70 and older who had no source of income.
A range of programs was established to counter the ill effects of the economic crisis that erupted in late 2008. The centerpiece of the initiative was the Comprehensive Livelihood and Emergency Employment Program, directed at creating jobs that were immediate, required little or no skill or education, and were part time or of short duration. The cost effectiveness and long-term value of the projects completed under the program is believed to vary considerably (Manasan 2009). In 2008, the government also offered a one-time cash grant (Pantawid Kuryente) of P500 to electricity consumers using 100 kilowatt hours or less. The program was meant to assist 7 million households that were assumed to be poor based on the amount of their electricity consumption. In reality, 72% of the benefits were received by nontargeted consumers and 43% of the intended targets were excluded.

The largest expansion of social safety net took place with the Arroyo administration’s gradual launch of the Pantawid Pamilyang Pilipino Program in 2007. 4P is a poverty reduction and social development program that provides cash grants to poor households with children to improve children’s health, nutrition, and education. The Aquino government that took office in 2010 not only retained the scheme but also expanded it further. In March 2012, the program covered 3 million households, including 7.5 million children, representing 65% of the 4.6 million households identified as poor (Formoso 2012).

4P is targeted at poor households living in the poorest municipalities with children up to 14 years old and/or a pregnant woman. It provides cash grants of P500 per month per household for health and nutrition expenses, and P300 per month per child for education expenses, covering up to three children per household. Thus a household with three qualified children receives an allowance of P1,400 per month for a maximum of 5 years, subject to meeting specified conditions. According to one estimate, 4P benefits increased the average per capita income of beneficiaries by 29% (Manasan 2009). Although it is still early to draw conclusions about the scheme’s long-term effect on poverty alleviation, early estimates show positive results in school attendance, immunization, antenatal visits, and poverty alleviation (Formoso 2012).

The government has kept up the pace of reform by establishing, in 2010, the old-age pension program, a noncontributory pension program targeted at the poorest of the poor over the age of 60. The program offers P500 per month in addition to health insurance and death benefits. An estimated 2 million elderly people are expected to benefit from the program at the cost of P8 billion, equivalent to 6% of monthly per capita GDP.

**Conclusion**

The 1997–1998 economic crisis was a historic moment for Southeast Asia in that it galvanized governments to build social safety nets. Indonesia and the Philippines, in particular, stand out for their efforts in the ensuing years to protect their populations from economic adversities; however, much remains to be done if their populations are to enjoy comprehensive protection.
After delayed starts and numerous missteps, the Indonesian government, with the aid of international organizations, has taken concerted measures since the early 2000s to build social safety nets. As a result, it now has a broad set of programs offering price subsidies for rice and fuel and conditional cash transfers (PKH), free health care (Jamkesmas), and scholarships for poor households. The government is actively considering the establishment of an employment creation program. The only major component still missing is an unconditional cash transfer program for those who cannot be served by other programs.

The Philippines, too, began establishing coherent and workable social safety nets in the mid-2000s, after a decade of experimenting with ill-conceived and short-lived programs. At the center of the recent reforms is 4P, which is directed at raising the human capital of poor households while Kapit-Bisig Laban sa Kahirapan provides noncollateral and interest-free loans for health and educational facilities to meet the supply requirements of 4P. The Sustainable Livelihood program supplements the other two programs by offering microenterprise loans and guaranteed employment to 4P households. Health insurance for the poor also has been expanded, while a program providing modest social pensions to the aged poor has been established.

One pattern of recent developments that both countries share is the centrality given to conditional cash transfers and the corollary emphasis on income support for families with children. Although investing in children is a worthy goal, this is of little benefit to other vulnerable population segments, such as poor families without children or those vulnerable to recurrent episodes of unemployment. Moreover, if CCTs are to truly contribute to human capital development and not just impose an onerous formality on the poor, there must be adequate schools and health care facilities available for the beneficiary households. This is not currently the case in either Indonesia or the Philippines. Severe supply constraints are widespread, especially in the poorer regions, which tend to have acute shortages of educational and health care facilities.

Poverty among households in informal sectors of the economy is often transient, a fact that is not adequately addressed by programs designed for the chronic poor, not to mention contributory programs centered on formal employment. Such households are highly vulnerable to poverty due to the transient nature of their work, which is affected by shifts in macroeconomic conditions and weather conditions. With more than two-thirds of the workforce engaged in informal employment, the share of the population falling in this category is large indeed in Indonesia and the Philippines. Yet in neither country is there a substantial program designed specifically for the transient poor. Public works programs are well suited for those vulnerable to recurrent unemployment because they keep affected workers in the labor market while providing income support, in addition to creating long-term public assets for the community. Microfinance for the self-employed suffering from economic slowdown generates a similarly protective effect. Given the increasing frequency and intensity of economic crises and natural disasters, such programs must be available on standby and must trigger automatically upon the occurrence of the specified contingency.
Conditional cash transfer programs (as in Indonesia and the Philippines) and employment guarantees delivered through public works programs (as in India) are complementary rather than competing visions of safety nets. They serve different vulnerable groups and are most effective when they work together. Thus, to effectively protect vulnerable populations, societies need both conditional cash transfer and public works programs. In addition, there is a compelling case for limited unconditional cash transfer programs for those beyond the reach of CCT or public works, such as the aged or disabled poor.

A social safety net system comprising cash transfers for chronic poor and public works and microcredit programs for the transient poor are within the fiscal means of almost all countries. Costing exercise for social safety net programs in Pakistan, for example, showed that comprehensive protection for 24% of the poorest population in 2010 could be achieved at the cost of PRs35.8 billion, a mere 0.63% of GDP (Grosh et al. 2008). This is in line with World Bank (2010) estimates showing the cost of basic social safety nets at 1% to 2% of GDP. Similarly, the International Labour Organization (2006) estimated that essential social protection may be provided to all the poor in the world at the cost of less than 2% of global GDP. The cost of social safety nets is thus much smaller than what countries already spend on fuel and food subsidies, which are disproportionately utilized by the nonpoor.

The main barrier to comprehensive social safety nets is not fiscal capacity but political will and administrative capability. The Indonesian experience shows that it is possible for democratic governments to make a dent in reducing wasteful subsidies and channeling the funds thus released into meaningful safety nets. But more than political will is needed for safety net programs to succeed.

The targeted cash transfer and public works programs preferred by policy reformers these days assume a level of information and administrative capability that may be unrealistic. Few developing countries have the capacity to collect and maintain information identifying the poor, although many governments (including Indonesia and the Philippines), with the assistance of external donors, have made concerted attempts in recent years to develop national poverty databases. Similarly, CCT programs are unlikely to succeed in contexts where educational and health care facilities are inadequate and absenteeism among public sector workers is rampant. Without schools and hospitals, or without teachers and doctors at work, requiring children and mothers to visit such facilities to receive CCT benefits is a punishment. Similarly, public works programs are effective mechanisms of social protection but are difficult to implement (del Ninno, Subbarao, and Milazzo 2009). Not only are public works projects technically demanding in terms of designing projects and setting wages, but also they require strict corruption control and quality control measures that often are too challenging for governments. The poor of the world will continue to remain vulnerable to poverty and deprivation until governments improve their governance capacity.
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References


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2 ADB recognizes China by the name People’s Republic of China.


13 Enhancing governance of public services delivery

Vinay Bhargava¹

Developing countries in Asia face the challenge of improving the effectiveness of basic public services for their citizens. Such services include education, health, water and sanitation, transport, affordable housing, social protection, security, and justice. The groups facing severe deprivations include indigenous communities, tribal groups, and caste-affected minorities; rural, interior, and remote communities; and the growing numbers of urban poor. The existence of relatively prosperous groups side by side with groups facing extreme deprivations such as inequity, strife, political and economic instability has severe adverse implications for affected Asian countries and Asian integration. The subject of this chapter is what can be done to improve public service delivery to deprived groups in developing countries of Asia.

First and foremost, country development strategies in countries concerned with ending deprivation must go beyond inclusive growth to pursue inclusive development. There is growing evidence that income inequality is increasing in most of the fastest-growing economies and regions. This has led to serious thinking about measures that can be taken to promote inclusive growth and development. The main elements of an inclusive development strategy for ending deprivations are clearly stated goals and objectives to end or substantially reduce deprivations within a definite time frame, inclusive growth as an important instrument to achieve this goal, and deliberate state and stakeholder action toward inclusion and reduction of deprivation. In fact, most governments in Asia have adopted targeted programs to provide basic services and social safety nets for groups facing severe deprivations. These programs face the challenge of providing these services in ways that are responsive to the needs of the poor and marginalized.

Governance challenges in improving the delivery of public services

Governance is all about what the state does and how it does it. Provision of services for the public good has been a key state function. Typical services

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provided by the state are public health, education, justice, transport, security, social protection, water, and sanitation. Improving the effectiveness of services is a perennial challenge for many governments. It is generally agreed that the way to improve the effectiveness and governance of public services is to provide these services in a manner that is responsive to citizen needs and to ensure that service providers are accountable to public. The main policies and programs to achieve this goal center on the following strategies:

(i) integrating the voice of beneficiaries into the design and implementation of service programs;
(ii) accurately targeting the beneficiaries and minimizing errors of inclusion and omission;
(iii) ensuring access to information about service entitlements and standards;
(iv) ensuring that services of requisite quantity and quality are delivered in a timely manner;
(v) establishing effective grievance redress mechanisms; and
(vi) providing citizens with tools and access to demand accountability from service providers.

Good governance depends on many factors, but two factors stand out. The first is the quality of public sector management. This is important because it affects how governments plan, deliver, monitor, and account for resources deployed for service delivery. The second factor is control of corruption in service delivery. This is important because it determines the extent to which the intended services reach the targeted beneficiaries. The state of public sector management and corruption control in Asia can be discerned by looking at data on three sets of governance indicators that rate governance dimensions of public sector institutions.

The Worldwide Governance Indicators project (World Bank n.d.) reports aggregate and individual governance indicators for 213 economies over the period 1996 to 2010, covering six dimensions of governance (see Table A13.1). Two of these dimensions are Government Effectiveness and Control of Corruption. The Government Effectiveness indicator captures perceptions of the quality of public services, the quality of the civil service and its degree of independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies. The Control of Corruption indicator captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as the level of “capture” of the state by elites and private interests. The ratings for these indicators for 45 countries in Asia and the Pacific are shown in Table A13.1 and Figure 13.1. Most of the countries in Asia fall into the lower left quadrant of Figure 13.1, characterized by relatively weak quality of government effectiveness and weak control of corruption. As one would expect, the two are correlated.
Figure 13.1 Control of corruption and government effectiveness in Asia.

Figure 13.2 Transparency, accountability, and corruption and quality of public administration in Asia.
Source: International Development Association (n.d.).
Note: Scale is 1 to 6, with 6 being the highest rating. Less then 25 markers appear on the graph due to overlapping markers. The trend line is based on all 25 data points.

The second set of governance indicators that illustrate the challenge are measured in the International Development Association’s (n.d.) Resource Allocation Index (see Table A13.2). This data set is available only for 25 low-income International Development Association countries in Asia. Two indicators relevant to the topic here are Quality of Public Administration and Transparency, Accountability, and Corruption in the Public Sector. Mapping the 25 countries on
these two dimensions (Figure 13.2) shows that most of countries are rated below 3 on a scale of 1 to 6, where 6 is highest rating.

The third illustration of the governance challenges in Asia is revealed in data from the Transparency International (n.d.) 2010 Global Corruption Barometer survey. This survey examines respondent perceptions of corruption in various national institutions: political parties, parliament or the legislature, business or the private sector, the media, public officials or civil servants, and the judiciary. All of these institutions are involved to various degrees in the design, delivery, and monitoring of public services. The results of the survey for the 16 countries included in the survey are shown in Table 13.1.

Such governance indicator data clearly illustrate that a majority of Asian countries face significant challenges in improving the two major determinants of service delivery governance. A key outcome of these governance weaknesses is corruption. Data from the Global Corruption Barometer Survey (Transparency International n.d.) shows the incidence of corruption in Asia relative to the

<table>
<thead>
<tr>
<th>Economy/territory</th>
<th>Political parties</th>
<th>Parliament/legislature</th>
<th>Business/private sector</th>
<th>Media</th>
<th>Public officials/civil servants</th>
<th>Judiciary</th>
<th>Average score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>3.0</td>
<td>3.1</td>
<td>3.0</td>
<td>2.9</td>
<td>3.2</td>
<td>3.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>2.8</td>
<td>3.1</td>
<td>3.4</td>
<td>2.7</td>
<td>3.9</td>
<td>4.0</td>
<td>3.3</td>
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<tr>
<td>Brunei Darussalam</td>
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<td>2.1</td>
<td>2.7</td>
<td>1.9</td>
<td>2.6</td>
<td>2.0</td>
<td>2.3</td>
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<tr>
<td>Cambodia</td>
<td>3.0</td>
<td>2.7</td>
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<td>4.0</td>
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<td>Georgia</td>
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<td>3.1</td>
<td>2.9</td>
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<td>3.2</td>
<td>3.3</td>
<td>3.1</td>
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<tr>
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<td>3.9</td>
<td>3.6</td>
<td>3.0</td>
<td>2.5</td>
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<tr>
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<td>3.6</td>
<td>3.4</td>
<td>2.9</td>
<td>3.7</td>
<td>3.2</td>
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<td>3.8</td>
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<td>3.7</td>
<td>3.1</td>
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<td>1.8</td>
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<td>3.6</td>
<td>2.8</td>
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<td>3.2</td>
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<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>3.9</td>
<td>3.8</td>
<td>3.5</td>
<td>3.0</td>
<td>4.0</td>
<td>3.5</td>
<td>3.6</td>
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Note: 1 = Not at all corrupt; 5 = extremely corrupt; italic = relatively less corrupt; bold = relatively more corrupt.
Table 13.2 Percentage of people who report paying a bribe in the past 12 months, by service institution

<table>
<thead>
<tr>
<th>Service institution</th>
<th>Asia and the Pacific</th>
<th>Worldwide regional average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>9%</td>
<td>29%</td>
</tr>
<tr>
<td>Registry and permit services</td>
<td>7%</td>
<td>20%</td>
</tr>
<tr>
<td>Judiciary</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Customs</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Utilities</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Medical services</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Education system</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Land services</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Tax authorities</td>
<td>9%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Transparency International (n.d.) survey of 91,500 people in 86 countries.

world (Table 13.2). Although this shows a relatively positive situation in Asia relative to the world, it also illustrates a significant problem and unfinished agenda.

**Strategies for enhancing governance of public service delivery**

Improving the effectiveness of public services, particularly for the poor, is critical to ending deprivation. This will require more resources as well as greater assurance that the resources allocated are used effectively to deliver services that are responsive to the needs to the intended recipients of the services, and that service providers are held accountable for responsive service delivery. This, of course, is easier said than done. Service delivery often faces problems due to management weaknesses, lack of transparency and accountability, poor targeting, petty corruption, cumbersome processes, and administrative capacity. The goal is to improve the responsiveness and accountability of public services. Fortunately, there are many examples of good practices for improved service delivery. Drawing on this growing body of good practices, we recommend three strategies to improve the governance of public service delivery: improve the management of service delivery processes, increase transparency and accountability in the provision of services, and empower beneficiaries to express themselves and practice social accountability.

There are examples of successful use of these strategies in Asia, and these examples are indicative of what can be accomplished. The strategies can be used individually and in combination, though the best results are arguably achieved when they are used in combination. Before elaborating on the strategies and looking at the examples, it seems important to emphasize two overarching points.

First, political will and leadership for improving service delivery is a critical success factor. A political economy analysis will reveal which reforms have a good chance of working in a local political environment. It will also help identify
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losers and winners under the proposed reforms. In addition, political economy analysis will help determine the incentives and disincentives that drive officials and politicians, and how these incentives and disincentives may be used to get the desired service delivery outcomes (Chêne and Hodess 2009; Chr. Michelsen Institute 2010). For all these reasons, a political economy analysis should be an integral part of efforts to enhance the governance of public service delivery.

Second, governance improves when state efforts are complemented with efforts by nonstate actors (e.g., civil society, independent accountability institutions, and the media) to participate in design, delivery, monitoring, and demand for good governance. The World Bank (2003) showed that the “long route of accountability” (service delivery providers held accountable by elected officials, who in turn are accountable to the citizens) was failing the poor and advocated a “short route of accountability,” in which the citizens directly hold service delivery officials accountable via client power (see Figure 13.3). Almost a decade after that report, experience has shown that the best results are obtained when the short route is combined with the efforts of state institutions of accountability such as ombudspersons, supreme audit agencies, anticorruption agencies, or parliamentary bodies (McGee and Gaventa 2010).

![Long and short routes of accountability](image)

**Long route of accountability:** Citizens hold state accountable and the state in turn holds service providers (civil services or service agencies) accountable for effective and responsive service delivery to citizens.

**Short route of accountability:** Citizens, often helped by civil society organizations, monitor service delivery performance and hold service providers accountable for effective and responsive service delivery.

Source: Based on World Bank (2003).
State-led efforts to improve the management of service delivery processes

Most governments are aware of the importance of improving service delivery and devote considerable effort to introducing reforms. These efforts are extensive and cover a wide range of services, such as health, education, public transport, water, and sanitation. Chand (2006, 2010) has documented a number of case studies from India. Often, these reforms include efforts to control corruption through such measures as management controls, checks and balances, external oversight, and increased transparency (Bhargava, Vinay, and Bolongaita 2004; Campos and Bhargava 2007). Measures to manage public service delivery typically involve restructuring service provider processes; promoting competition, including outsourcing, privatization, and public–private partnerships; simplifying transactions (especially through the use of information and communications technology and online tools); and decentralizing service delivery.

Restructuring service provider processes. This is an extensively used strategy for improving service delivery. The story of Phnom Penh Water Supply Authority illustrates very well both the complexity involved and the potential effect of restructuring led by a service provider and backed by political leadership (Box 13.1). Other, less-dramatic but impressive service delivery improvement stories involving the restructuring of processes are documented in Asian Development Bank (ADB) (2008). These include the following:

(i) Sri Lanka’s education system was facing the challenge of equipping its graduates with skills in information and communications technology, science, mathematics, and the English language, which was putting graduates at a disadvantage in the job market. To address this challenge, the government, with the help of ADB-supported Secondary Education Modernization Projects, began to put things right. The modernization involves putting in place an entirely new process of educating students. The new process includes computer learning centers and activity-based learning systems, private sector involvement, decentralized management, teacher and student scholarship programs, modernized and expanded curriculums, and school-based assessment systems for improving student performance. The results are visible in terms of higher passing rates and better-prepared students.

(ii) A rural electrification project in Bhutan went beyond the conventional model of electric services provision to provide electrification kits to the poorest households, enabling them to install internal wiring in their homes. This overcame a formidable barrier to connecting poor households’ homes to the village distribution system. The effect on the lives of these poor households took the form of fewer eye and respiratory ailments, extra time for augmenting family income, and improved education outcomes.

(iii) Cambodia is blessed with freshwater, but access to safe water is patchy. As a result, many rural areas suffer from high rates of waterborne and water-related diseases. To address this problem, the country’s ministry of rural development went beyond the concept of a municipal water system and organized community
water and sanitation user groups that are fully involved in the process of selecting, planning, sharing the cost of, implementing, operating, and maintaining the facilities. This ensures sustainability. One example of this is the ADB-backed Tonle Sap Rural Water Supply and Sanitation Sector project, involving more than 500 water and sanitation user groups. The early indication of impact is a decreased incidence of sickness.

Box 13.1 Reform process that turned the war-torn Phnom Penh Water Supply Authority into an award-winning, efficient, and profit-making utility

Phnom Penh Water Supply Authority (PPWSA) is currently an outstanding, world-class water utility providing water services to citizens of Phnom Penh, Cambodia. It has won awards from Asian Development Bank in 2004 and the Stockholm Industry Water Award in 2010. Yet this was not always the case. In 1993, the utility served only 20% to 25% of the population with piped water, staff was demoralized, and the utility was effectively bankrupt. Now it is a profitable entity, serves more than 90% of the population in its area with assured round-the-clock supply, has increased its water production fivefold, and has highly motivated staff and satisfied customers. How did it achieve this service delivery turnaround?

The PPWSA has documented its story in an excellent report called *Sharing the Reform Process: Learning from the Phnom Penh Water Supply Authority* (Das 2010), available at the PPWSA website. The report attributes the success of PPWSA to several factors, including a general director with sufficient vision and leadership to push through a culture of change, a desire for change at the local political level, sufficient autonomy to implement reforms, donor backing, and shared objectives among line ministries, employees, and donors. The culture of change, implemented by the PPWSA, focused first and foremost on employees, particularly on employee education, motivation, and when necessary, sanctions. Clear and transparent operating procedures mean that employees know where they stand. The utility’s regular publication of performance indicators and activity reports is a part of this transparent approach and demonstrates the importance placed on accountability and results. Massive improvements in operational efficiency were made through an internally driven set of incentives, penalties, and disciplines, and with a great emphasis on training.

The utility has generated change not only within the company but also among consumers and civil society by building an awareness campaign and interactive sessions with PPWSA staff members. In addition, the PPWSA’s implementation of its Water for the Poor program ensures that even those who cannot afford to pay full cost still get access to clean water. Consumers are informed about water tariffs, connection procedures, billing, and complaint procedures with the help of local communes, which helped to build a positive relationship between the service provider and consumers. The availability of finance from the donors was very important in terms of technical assistance, access to finance, and strengthened autonomy because it made the PPWSA less dependent on the central government.

The common element in all of these examples is that the project design and approach involved adopting service delivery process innovations that produced outcomes superior to those of the conventional processes. The Sri Lanka project
made innovative use of private sector involvement, computer learning centers, and school-based assessment systems. The Bhutan project went beyond the norm to ensure impact by providing electrification kits. The Cambodia project innovated by involving water users, providing services in a manner that was responsive to community needs, achieved sustainability, and mobilized resources.

**Promoting competition.** Competition has improved service delivery outcomes in India’s telecom sector, as documented in a case study by Mukherji (2006). The case study showed that dismantling the public sector monopoly over provision of telephone services resulted in cheaper and more-efficient calling services, a marked improvement in teledensity, and an increased flow of private investment. The same strategy of promoting competition has been used in India to achieve dramatically enhanced service delivery outcomes in postal (courier) and passenger airline services.

**Simplifying transactions.** Simplifying transactions to improve service delivery, particularly through the use of information and communications technology applications (as in e-governance), has emerged as a proven strategy. A global survey of city websites identified Seoul, Republic of Korea, as the top-ranked city in the performance of municipal e-government (Rutgers 2010). The same survey ranked Hong Kong, China, and Singapore among the top five. These pioneering cities are moving to provide online services so that there is no need to visit an office to obtain services. Another innovative example of simplifying transactions and lowering transactions costs for citizens is provided by the eSeva program in Andhra Pradesh, India (Chand 2006). The eSeva services include payment of utility bills, provision of birth and death certificates, payment of property and other taxes, train and bus reservations, phone bill payments, receipt of passport applications, and others. All these services are provided at one-stop service centers and, in many cases, online. Cambodia is now beginning to pilot one-stop service centers.

**Decentralizing service delivery.** Decentralization of service delivery functions and responsibilities is a key strategy for improving service delivery. Often, the decentralization is part of political reforms aimed at the devolution of power. It is generally expected that, by moving services closer to the people, decentralization will increase accountability both to the public and to higher authorities. Examples include the decentralization efforts in Cambodia, Indonesia, and the Philippines. In each case, although decentralization was a key part of political reforms, the improvement of public service delivery was an explicit objective. An ADB (2010) review of the benefits of decentralization in general, and in Indonesia in particular, found that service delivery improves when certain conditions are met – particularly when the decentralizing government aligns its spending to complement local spending, and when it exerts vertical accountability. Moreover, improved service is more likely to be realized when mechanisms for local accountability and participation are established or strengthened. The study also found that organized and engaged civil society is helpful in wresting service improvements from local government, but even where such social capital exists, it does not always lead to service improvement. Conversely, when the specified conditions
are not met, service quality and reach can in some cases diminish as a result of decentralization.

**Increasing transparency and accountability**

It is now well accepted that increased transparency and openness in government functioning will lead to more responsiveness and accountability of public officials for delivery of services to the citizens. Many governments in Asia and around the world have enacted reforms of access to information. These reforms are generally understood as laws and regulations that provide citizens with the legal right to access a range of public information, mandating that public officials disclose and respond to citizen requests for information. It should be noted that transparency does not equal accountability, but it is an essential step for accountability. Greater transparency leads to greater accountability only in interaction with other factors, such as capacity, incentives, and constraints on collective action on part of a broad range of stakeholders – the media, civil society, state-led accountability institutions, and so on (McGee and Gaventa 2010). Therefore, it is important that investments in greater government transparency and openness be accompanied by parallel investments in building the capacity of and incentives for this broad range of stakeholders, so that they can make use of the information and opportunity for participation that is being made available.

Access to information laws and policies has been adopted by several Asian countries, including Bangladesh, India, Japan, the Republic of Korea, Nepal, Pakistan, and Thailand. A recent unpublished study (World Bank 2012) of the implementation of right-to-information reform laws in eight countries found that such laws serve as a powerful instrument for transparency when accompanied by measures to ensure enabling conditions. Such conditions include institutional mechanisms on the supply side (the public sector) to supply the information, demand side (civil society) mechanisms to access and use the information, and enforcement mechanisms (check-and-balance institutions) to apply sanctions when the policy or law is not complied with.

Information campaigns to increase beneficiary awareness of rights to and benefits of a specific service delivery are another measure to improve transparency. Tools that are most frequently used for this strategic purpose are websites, print materials, disclosure policies, radio and television programs, and media campaigns. Examples of the use of one or more of these tools (Bhargava, Cutler, and Ritchie 2011; McGee and Gaventa 2010) include the following:

(i) **Bangladesh.** Mobilization by Naripokkho on issues of violence against women has led to new initiatives from the government and the United Nations Children’s Fund (UNICEF) to provide support and treatment for survivors of acid attacks.

(ii) **India.** Community-based information campaigns on school performance in India had an overall positive effect on teacher presence and teaching efforts by teachers in three states; however, the effect on pupil learning was more modest.
(iii) **India.** The Ayauskam (civil society organization) in Odisha state increased media awareness about corruption in rural health services by organizing a media consultation workshop and presenting baseline survey findings. Journalists subsequently started covering stories on health rights violations, including service provider behavior, lack of free medicine, and other instances of corruption or malfeasance. The increased awareness and media interest served as a deterrent to the corrupt practices.

Citizen charters are another instrument to improve transparency and accountability in delivery of public services. They were introduced in the United Kingdom in early 1990s and now are being used in a wide range of countries, including India, Jamaica, Kenya, Mexico, the Philippines, and the United States. The citizen charters are “public agreements between citizens and service delivery providers that clearly codify expectations and standards in the realm of service delivery” (World Bank 2010).

The Open Government Partnership is a recent multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. Four Asian countries have so far become members: Indonesia, the Republic of Korea, Mongolia, and the Philippines. As participating countries, they are obliged to submit an action plan for open government (Box 13.2).

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**Box 13.2 Indonesia: open government initiative**

Indonesia’s open government initiative aims to improve public services, increase public integrity, and more effectively manage public resources. The main strategy to achieve these objectives is to promote transparency, accountability, and public participation in key public sector management areas. Examples of specific actions or commitments are as follows:

(i) **Online provision of information about budget allocations for the poverty reduction program, about the implementation plan, and about implementation.**

(ii) **Promoting transparency, accountability, and public participation in the area of government subsidies in the health sector and in elementary and junior high school education.** The data and information to be published includes budget allocation and expenditure data.

(iii) **Promoting transparency, accountability, and public participation in the civil services that are at high risk for corruption, such as the tax court office, the immigration office, and the customs office.** Data and information to be published includes institution and officer profiles, type of service and service mechanisms, time and cost requirements, case status/progress reports, and annual reports. The data and information are to be published on institutional websites.

(iv) **Promoting transparency and accountability of public services at the land administration office.** The data and information to be published include the types of services available, processes required for service provision, estimated time to complete a service, costs of service provision, and status/progress reports on service requests. The data and information are to be published on the institution’s website.
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(v) Promoting transparency and accountability on budget information at the national and district levels. The data and information to be published include national and regional budgets (both proposed and enacted), subdistrict project and budget lists, information about periodic budget disbursements, annual budget reports, audited budget reports, and citizen budget reports.


Why state-led efforts are not enough

In our view, ensuring good governance and corruption-free delivery of public services is, first, the responsibility of the executive branch of government. Next, a key role should be played by state accountability institutions outside of the executive branch (Figure 13.3); however, as we have indicated, this ideal situation does not exist in reality, given the weaknesses in public sector capacity, government effectiveness, public faith in government institutions, and control of corruption. Increasingly, state-led efforts to enhance transparency and access to information and to apply checks and balances to ensure corruption-free delivery are not regarded as sufficient to ensure good governance of service delivery. A new paradigm has emerged, inspired by the World Bank’s (2003) “short route of accountability” framework. In this paradigm, in addition to the state-led efforts, beneficiaries and civil society are engaged in monitoring and assessing government performance and voicing demands for improved service delivery. This kind of engagement is often called social accountability, defined as the engagement of citizens and citizen groups with policy makers and service providers to ensure that their actions are more responsive to citizens’ needs.

The practice of social accountability is growing in many areas of the world, including Asia. For example, through report cards in Bangalore, India, individuals provide feedback on the quality of services delivered by public health, transportation, housing, and telecommunications agencies. In the Philippines, a civil society-led association is monitoring construction in the roads sector and oversight of public education (Box 13.3). In South Africa, a civil society organization conducts independent budget analysis and disseminates budget information to the public in accessible formats. In Brazil, civil society participates in budget monitoring in 200 cities. In Uganda, community organizations work with public health staff to develop action plans to improve health services, which has led to significantly improved services and mother–child health outcomes. In Accra, Ghana, report cards enable 4,000 households to prioritize their service needs and monitor the quality of service delivery (World Bank 2010).

**Box 13.3 Oversight of public education in the Philippines**

The Philippines’ Check My School initiative takes advantage of information and communications technology to enable public oversight of public education services and infrastructure, promoting transparency and social accountability in the sector. The
Empowering beneficiaries to practice social accountability

There is growing understanding that governance of service delivery schemes is improved when state-led oversight mechanisms are combined with citizen-led social accountability initiatives and constructive engagement between the state and civil society. Such results are not universal but are context specific. Enabling conditions for such empowerment to work do not exist everywhere, but the opportunities are increasing, and where the enabling conditions are favorable the results are impressive (Abdul Latif Jameel Poverty Action Lab 2012; Bhargava, Cutler, and Ritchie 2011; McGee and Gaventa 2010). Three key strategies employed in social accountability are to articulate and amplify beneficiary voices; to demand accountability through independent, third-party monitoring; and to increase responsiveness to complaints and redress of grievances.

Articulate and amplify beneficiary voices. Consultation in design, implementation, monitoring, and evaluation throughout the provision of public services typically involves events and defined processes to ensure informed two-way engagement with stakeholders. Information about proposed designs as well as about implementation progress is shared, and the views of stakeholders – particularly of direct beneficiaries and service users – are sought prior to, during, and after public service delivery and are part of a feedback process. The tools most frequently used for this strategic purpose are online and face-to-face dialogue instruments, multiple-stakeholder committees, public hearings, and participatory budget formulation.

Examples of employing citizen/beneficiary voice to improve service delivery in Asia (Bhargava, Cutler, and Ritchie 2011; McGee and Gaventa 2010) include the following:

(i) **Bangladesh.** Parents of girls were mobilized to monitor teacher attendance in schools and to discourage absenteeism.

(ii) **Bangladesh, Cambodia, and Thailand.** Participatory monitoring approaches in the fisheries sector have significantly improved trust and collaboration among fisher communities, community groups, nongovernment organizations, and government agencies.
(iii) **Viet Nam.** The government’s focus on multiple-stakeholder participation in preparing its 2006–2010 Socioeconomic Development Plan is evident in the content and the focus of the plan on disadvantaged groups and regions, the need to decrease inequality, and the issue of social inclusion.

**Demand accountability through third-party monitoring.** This strategy typically involves mechanisms for third-party monitoring and performance evaluation by organizations independent of the service delivery providers. Independent third-party monitoring may be done by specialized professionals and/or by beneficiary groups and local actors, either with or without the support of civil society organizations. The tools most frequently used for third-party monitoring and performance evaluation are social audits, facilities surveys, public hearings, citizen report cards, community scorecards, beneficiary (client) satisfaction surveys, independent impact evaluations, public expenditure tracking surveys, investigative journalism, and talk-back radio.

Examples of third-party monitoring and performance evaluation of service delivery in Asia (Bhargava, Cutler, and Ritchie 2011; McGee and Gaventa 2010), using one or more of these tools, include the following:

(i) **India.** India offers many examples. For instance, citizen monitoring of rural roads, using a road testing tool kit and a beneficiary survey, led to improved road quality and user satisfaction. Other examples include the use of citizen report cards in Bangalore; the social audit of government services in Delhi state; the use of community scorecards in Satara, Maharashtra; and the introduction of citizen monitoring groups and social audits by the Ayauskam in Odisha.

(ii) **The Philippines.** Budget Watch, Procurement Watch, Social Watch, Road Watch, and G-Watch are several examples of projects using third-party monitoring. For instance, G-Watch civil society monitoring of textbook procurement and distribution reduced the cost of textbooks, average production time, and delivery errors.

**Increase responsiveness to complaints and redress of grievances.** This strategy typically involves establishing beneficiary feedback and grievance redress mechanisms to seek improved responsiveness to specific cases. Systems and procedures are designed to handle and respond to complaints and grievances from beneficiaries or consumers benefitting from the service delivery and from suppliers or contractors of services. The tools most frequently used for this strategic purpose are hotlines, Web pages, beneficiary committees, ombudspeople, grievance redress mechanisms, and crowd-sourcing technologies.

Examples of the use of one or more of these tools (Bhargava, Cutler, and Ritchie 2011; McGee and Gaventa 2010) include the following:

(i) **India.** Metro Water in Hyderabad started a complaint hotline that allowed managers to hold frontline providers accountable. Performance improved and corruption was considerably reduced.
India. In the state of Andhra Pradesh, the use of community scorecards has resulted in significant improvements in health services.

(iii) The Lao People’s Democratic Republic. The Nam Theun hydroelectric project involves 10 safeguard policies and has developed detailed mechanisms to address grievances, including the creation of village resettlement committees and project-level grievance committees as well as the employment of nongovernment advisers to increase awareness about and use of support offers.

Summary and conclusions

Good governance in service delivery is of paramount importance for poor and marginalized groups, such as indigenous communities, tribal groups, and caste-affected minorities; rural, interior, and remote communities; and the growing numbers of urban poor. Good governance requires capability, transparency, accountability, and responsiveness on the part of service providers. Key determinants of good governance are the quality of public sector management and the control of corruption. A look at several cross-country governance indicators shows that most countries in developing Asia are rated average to poor on these dimensions. Thus, Asian countries face formidable challenges in improving governance of the delivery of public services in areas such as education, health, water and sanitation, transport, affordable housing, social protection, security, and justice.

The recommended overall strategy to improve governance of public service delivery includes measures to improve the management of service delivery processes, increase transparency and accountability, and empower beneficiaries to express, voice, and practice social accountability. As discussed, Asia has many successful examples of innovations in these areas. The rich and growing body of experience is yielding a number of good practices for improving governance in public service delivery.

Political will and leadership to improve service delivery is a critical success factor. To assess this political economy, analysis should be undertaken to assess the prospects for success. Such analysis will determine which reforms have a good chance of working in the local political environment. It also will help identify losers and winners under the proposed reforms. In addition, political economy analysis will help clarify the incentives and disincentives that drive officials (and politicians) and determine how these may be used to get the desired service delivery outcomes. For all these reasons, a political economy analysis should be an integral part of efforts to enhance governance of public service delivery.

Ensuring good governance and corruption-free delivery of public services is, first, the responsibility of the executive branch of government. Next, a key role is and should be played by state accountability institutions outside of the executive branch – ombudspersons, supreme audit agencies, anticorruption agencies, parliamentary bodies, and so on. In fact, many countries in Asia have taken state-led actions to improve service delivery. These usually involve promoting
Enhancing governance of public services

Another key to enhanced governance is to increase transparency and accountability in service delivery. It is now well accepted that increased transparency and openness in government functioning will lead to more responsiveness and accountability in delivery of services to citizens. Many governments in Asia and around the world have enacted right-to-information reforms. In Asia, these countries are Bangladesh, India, Japan, the Republic of Korea, Nepal, Pakistan, and Thailand. Public information campaigns and citizen charters are two other policies that increase transparency.

Accountability in service delivery also is enforced by internal checks and balances, such as internal audits. These methods are used by service delivery providers and other institutions within the executive branch as well as by domestic accountability institutions outside of the executive branch – supreme audit institutions. The emerging good practice is to apply a systems approach to enforcing accountability. A systems approach requires a system-wide analysis of accountability to underpin any intervention. For example, a program to improve service delivery in the water and education sectors could explore how different accountability institutions (such as supreme audit institutions, anticorruption bodies, parliamentary committees, or ombudspeople) can be used as a system, with interaction among them, to make a measurable difference.

Increasingly, state-led efforts to enhance transparency and access to information and to apply checks and balances to ensure corruption-free delivery are not regarded as sufficient to ensure good governance of service delivery. A new paradigm, inspired by the World Bank’s (2003) “short route of accountability” framework, has emerged. In this paradigm, in addition to state-led efforts, beneficiaries and civil society are engaged in monitoring and assessing government performance and voicing demands for improved service delivery. This kind of engagement is often called social accountability and is defined as the engagement of citizens and citizen groups with policy makers and service providers to ensure that their actions are more responsive to citizens’ needs.

Three key strategies employed in social accountability are to articulate and amplify beneficiary voices, to demand accountability through independent, third-party monitoring, and to increase responsiveness to complaints and redress of grievances. Examples of social accountability tools include online and face-to-face dialogue instruments, multiple-stakeholder committees, public hearings, participatory budget formulation, social audits, facilities surveys, citizen report cards, community scorecards, beneficiary and client satisfaction surveys, independent impact evaluations, public expenditure tracking surveys, investigative journalism, talk-back radio, media information campaigns, citizen charters, hotlines, Web pages, beneficiary committees, grievance redress mechanisms, short message service texting, geomapping, and crowd-sourcing technologies.

Overall, governance and control of corruption in service delivery are best achieved when state-led efforts to enhance transparency and access to information,
and to apply checks and balances to ensure accountability, are combined with measures to integrate beneficiary participation and voice in design and delivery and to provide space for citizen-led social accountability programs.

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<tr>
<th>Economy</th>
<th>Governance score (−2.5 to +2.5)</th>
<th>Voice and accountability</th>
<th>Government effectiveness</th>
<th>Control of corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>−0.53</td>
<td>1.10</td>
<td>0.12</td>
<td></td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>0.71</td>
<td>1.19</td>
<td>0.42</td>
<td></td>
</tr>
<tr>
<td>Taipei, China</td>
<td>0.90</td>
<td>1.21</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>0.58</td>
<td>1.74</td>
<td>1.94</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>−0.29</td>
<td>2.25</td>
<td>2.18</td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank (n.d.).

Note: Voice and accountability captures perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies. Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests. Bold indicates the “worst” five countries (< −1); italic indicates the “best” five countries (>1).

Table A13.2 Quality of public administration and transparency, accountability, and corruption in the public sector (2010)

<table>
<thead>
<tr>
<th>Country</th>
<th>Quality of public administration</th>
<th>Transparency, accountability, and corruption in public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Armenia</td>
<td>4.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Bhutan</td>
<td>4.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Cambodia</td>
<td>2.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Georgia</td>
<td>4.0</td>
<td>3.5</td>
</tr>
<tr>
<td>India</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Kiribati</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Maldives</td>
<td>3.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Mongolia</td>
<td>3.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Nepal</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>3.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Samoa</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>
Table A13.2 Continued

<table>
<thead>
<tr>
<th>Country</th>
<th>Quality of public administration</th>
<th>Transparency, accountability, and corruption in public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tajikistan</td>
<td>3.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>2.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Tonga</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>3.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>3.5</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Simple sample average</strong></td>
<td><strong>3.2</strong></td>
<td><strong>2.9</strong></td>
</tr>
</tbody>
</table>

Source: International Development Association (n.d.).

Note: Scale is 1 to 6, with 6 being the highest.

**References**


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2 ADB recognizes China by the name People’s Republic of China.


The poor and deprived in Asia are by and large a neglected and forgotten lot. If their voices were heard and heeded, their situation could be improved; however, rapid expansion of their capabilities – to use Sen’s (1984) terminology – would require a major reorientation of development priorities toward the poor and deprived and a correct discovery of their needs through a participatory process, which would require squarely addressing Sen’s “agency” issue.2

This requires the creation of effective democratic participation and responsive national and local institutions, but there are major pitfalls on the way. For example, one crucial route that Asian countries have taken to encourage more participation is to undertake greater decentralization, making governments more responsive to the local needs of their citizens. However, most have encountered the problem of powerful groups appropriating the benefits local governments provide, referred to as elite capture, thus reducing the authority of local governments to act in favor of the deprived. Many such local bodies also have insufficient funds to perform well and end up being corrupt or shirking responsibility. There are similar problems in other approaches to strengthening the voice of the poor, and the poor therefore remain deprived of gains from Asia’s rising prosperity.

There is ample evidence to show that national and local priorities in Asia fail to reflect the needs of the poor. For instance, despite a vast need to address education and health deprivations, Asian countries are spending too little on these major areas that help build up capabilities. Table 14.1 lists the gross domestic product and health and education spending of Asian countries. The World Health Organization (2009) suggests spending a minimum of 5% of gross domestic product to provide basic health needs, and United Nations Educational, Scientific and Cultural Organization norms for education government spending are 6% of gross domestic product.3 Against these norms, developing countries in Asia have fallen far behind, and governments, which play a major role in delivery of basic

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1 The authors wish to thank Mohammed Ehsan Khan for his very helpful comments on this chapter.
2 Agency comprises the institutions and mechanisms that help to identify correctly the needs of individuals to expand their capabilities. See Table A1.1.
3 The 6% norm for government spending is based on a UNESCO recommendation in UNESCO (1996). The 5% spending norm for health relates to public health spending (WHO 2009) but even with private health expenditure, most developing countries in Asia are not meeting the benchmark.
Table 14.1  Gross domestic product (2010) and allocations for health (2009) and education (2008)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>501.5</td>
<td>1.58</td>
<td>...</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>674.9</td>
<td>1.06</td>
<td>2.39</td>
</tr>
<tr>
<td>Cambodia</td>
<td>795.2</td>
<td>1.62</td>
<td>2.10 (2009)</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>4,433.0</td>
<td>2.29</td>
<td>1.91 (1999)</td>
</tr>
<tr>
<td>India</td>
<td>1,375.4</td>
<td>1.37</td>
<td>3.08 (2006)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2,952.0</td>
<td>1.22</td>
<td>2.82</td>
</tr>
<tr>
<td>Japan</td>
<td>43,063.1</td>
<td>6.68</td>
<td>3.46 (2007)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8,373.0</td>
<td>2.15</td>
<td>4.13</td>
</tr>
<tr>
<td>Maldives</td>
<td>6,570.4</td>
<td>5.19</td>
<td>11.19 (2009)</td>
</tr>
<tr>
<td>Myanmar</td>
<td>...</td>
<td>0.20</td>
<td>1.26 (2001)</td>
</tr>
<tr>
<td>Nepal</td>
<td>534.5</td>
<td>2.06</td>
<td>4.65 (2009)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1,018.9</td>
<td>0.86</td>
<td>2.68 (2009)</td>
</tr>
<tr>
<td>Philippines</td>
<td>2,140.1</td>
<td>1.33</td>
<td>2.80</td>
</tr>
<tr>
<td>Singapore</td>
<td>41,986.8</td>
<td>1.61</td>
<td>3.01 (2009)</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2,400.0</td>
<td>1.79</td>
<td>...</td>
</tr>
<tr>
<td>Thailand</td>
<td>4613.7</td>
<td>3.27</td>
<td>4.12 (2009)</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>1,224.3</td>
<td>2.79</td>
<td>5.34</td>
</tr>
<tr>
<td>South Asia</td>
<td>1,254.2</td>
<td>1.32</td>
<td>2.93</td>
</tr>
<tr>
<td>East Asia and the Pacific (developing only)</td>
<td>3,894.0</td>
<td>2.20</td>
<td>3.29</td>
</tr>
<tr>
<td>East Asia and the Pacific (all income levels)</td>
<td>7,399.2</td>
<td>4.20</td>
<td>3.08</td>
</tr>
</tbody>
</table>

Source: World Bank (n.d.(b)).

services, have not generally demonstrated adequate emphasis on these priorities. The picture is that of economic development without a concerted fiscal effort toward needs provision, especially in the case of South Asian countries.

Enabling the poor and the deprived to effectively participate in the economic, social, and political systems that determine their well-being will require major changes in state institutions, in the overall environment of their functioning and in peoples’ organizations, among other things. Although the subject matter is vast, we will focus here on four areas that appear to be very relevant in the Asian context: the effectiveness of formal democratic institutions, decentralization and local governance, the role of civil society, and rights-based approaches.

Effectiveness of formal democratic institutions

The strengthening of democratic institutions plays a key part in efforts to strengthen participation. This includes free and fair elections of fully representative bodies that respond effectively to the needs of the people. Such institutions are
being slowly built up across Asia; however, the transitional and undeveloped state of Asian democracies continues to make them vulnerable to elite capture. This is a theme that will be found repeatedly in this chapter because it reflects Asian realities and is a major obstacle in the path of the genuine participation of the poor in matters concerning their welfare, including the decentralization of institutions and services. The often-overriding appeals to nationalism, external security, and other nondevelopmental issues, to the neglect of pressing domestic development needs, results in highly skewed national priorities. The appeal to nationalism and its popularity rests on the fact that the ruling elite or the classes that are more likely to be threatened by a fair and impartial democracy will advocate nationalism in order to hold on to their dwindling power and to hamper empowerment and the successful reform of entitlements. This state of affairs can exist as a result of unstable and undeveloped democracies. If effective democratic and participatory institutions can be built up, such a situation could be remedied.

The effectiveness of participatory institutions can be approached from the point of view of entitlements, which have been defined by Sen (1984) as “the set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she faces” (497). Sen showed how those sections of society that have more than their fair share of voice in the determination of government priorities (for example, men rather than women, city people rather than rural people, the middle classes, or the military elite) enjoy larger capability sets than others because they are better able to ensure that social arrangements are geared toward meeting their needs. Although voice is instrumental in the formation of real freedom, it is also constitutive of freedom, an achievement and an end in itself. Sen’s observation that people with the effective right to vote have never suffered from famine aptly illustrates the point. One of the principal ways that the poor can be enabled to be free in the real sense is to have their voices heard and their needs tended to through ballot boxes in well-functioning democracies.

Asia’s voting record, however, has been far from clear. Many Asian states are emerging democracies, and the institutional setup to support the democratic process leaves much to be desired. The transitional phase between autocratic state and democratization enhances the propensity for a newly democratic state to experience internal and external conflict. This is not only because of the instability of systems change but also because the required social infrastructure and institutional environment – such as literacy; fair and free elections, conducted by an independent agency, in which organized parties take part; a civilian-run military; and an established judicial system to keep order – are missing. Without institutions of education and alternate choices for employment and livelihood, voting, even if it exists, will be vulnerable to elite capture.

Research shows that Asian states as a whole lag behind the developed world with regards to civil liberties and political rights. The Democracy Index constructed by the Economic Intelligence Unit (2011), for example, shows that Asia and Australasia lags behind North America, Western Europe, and Latin America and the Caribbean. The index is a weighted average of 60 indicators grouped
Table 14.2 Democracy index, regional comparison

<table>
<thead>
<tr>
<th>Rank</th>
<th>Region</th>
<th>2008</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>North America</td>
<td>8.64</td>
<td>8.63</td>
<td>8.59</td>
</tr>
<tr>
<td>2</td>
<td>Western Europe</td>
<td>8.61</td>
<td>8.45</td>
<td>8.4</td>
</tr>
<tr>
<td>3</td>
<td>Latin America and the Caribbean</td>
<td>6.43</td>
<td>6.37</td>
<td>6.35</td>
</tr>
<tr>
<td>4</td>
<td>Asia and Australasia</td>
<td>5.58</td>
<td>5.53</td>
<td>5.51</td>
</tr>
<tr>
<td>5</td>
<td>Central and Eastern Europe</td>
<td>5.67</td>
<td>5.55</td>
<td>5.5</td>
</tr>
<tr>
<td>6</td>
<td>Sub-Saharan Africa</td>
<td>4.28</td>
<td>4.23</td>
<td>4.32</td>
</tr>
<tr>
<td>7</td>
<td>Middle East and North Africa</td>
<td>3.54</td>
<td>3.43</td>
<td>3.62</td>
</tr>
<tr>
<td></td>
<td>World average</td>
<td>5.55</td>
<td>5.46</td>
<td>5.49</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit (2011).

Note: Index ranges from 10 (full democracy) to zero (nondemocratic); Australasia denotes Australia, New Zealand and the islands of South Pacific.

in five categories: electoral process and pluralism, civil liberties, functioning of government, political participation, and political culture. The countries are categorized as full democracies, flawed democracies, hybrid regimes, or authoritarian regimes. Table 14.2 shows a broad comparison of world regions. The position of Asia deteriorates further if the Middle East is included in the average and Australasia is removed. Looking for Asian countries in this index reveals that Southeast Asian countries and Japan perform relatively better but that South Asia (excepting India) and dirigiste socialist countries score low on this index.

However, the mere presence of formal democratic institutions such as voting and elections may not indicate effective popular participation in the political process because democracies often do not function well. Even where elections and voting processes are free and fair, governments coming to power democratically may be unable to respond effectively to the needs of the electorate, particularly the poor, if the government is ineffective due to weak public sector management, insufficient capacities, or corruption. Other institutions necessary for effective participation also may not function well. Critical institutions of state may be too weak to create necessary checks and balances to ensure accountability and proper implementation of laws and regulations. This includes the legal and judicial system. Lack of adequate resources for the establishment of courts may lead to long delays in justice, and the poor may find recourse to legal remedies beyond their means, owing to costs and long delays.

Developing such institutions, however, may take considerable time. Given this reality, one essential democratic institution – the press and media – can play a key enabling role. A free press can very effectively demonstrate weaknesses in government functioning and can help voice the aspirations of its citizenry. In

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4 The Democracy Index places great emphasis on public opinion and attitudes, as measured by public surveys, whereas economic living standard has not been weighted as a criterion of democracy. This is one aspect of the index to be cautious of when drawing conclusions about democracy actually translating into improved living standards.
The press and media in general are considered essential requirements for democratic functioning; however, the press and media are yet to effectively play that role in much of Asia due to outright censorship in some cases and through less obvious means, such as allocation of public advertisements, regulations, and other curbs.

The Freedom of the Press 2012 report prepared by Freedom House (2012), an international nongovernment organization, provides an index of press freedom. The assessment was done by Freedom House staff and was based on 29 indexes in three main areas: the legal environment, the political environment, and the economic environment. The 2012 assessment found that only 5% of the population of Asia and the Pacific is living in countries where press is free, whereas the rest live in areas where press is either partly free (49%) or not free at all (46%). This is similar to the rates of sub-Saharan Africa, which had 5% free press, 54% partly free press, and 41% not free at all. According to this assessment, Asia and the Pacific enjoys more press freedom than only the Middle East and North Africa, and fares substantially worse than other regions of the world.

Similarly, rankings made by Reporters Without Borders (2009), an international nongovernment organization focusing on press freedom, found developing Asia and the Pacific to be lagging behind the rest of the world on press freedom. The organization measures press freedom on the basis of a survey of its 18 partner organizations, its network of 150 correspondents around the world, journalists, researchers, jurists, and human rights activists. Questions asked are similar to those used in the Freedom House Index. The Reporters Without Borders World Press Freedom Index for 2011–12 (Reporters Without Borders 2012) found that none of the developing countries in Asia were rated good or satisfactory in terms of freedom of the press, and all were classified as having noticeable problems, with either “difficult situations” or “very serious situations.” In the rankings of 179 countries, 10 Asian countries were ranked in the bottom 30.

That effective participation can lead to better public prioritization of resources for basic services such as health and education is apparent from the data we have presented so far. Using the allocation of public resources for health and education...
in Table 14.1 combined with the Democracy Index (Economist Intelligence Unit 2011), a positive correlation with public expenditures on health and education is observed in 16 Asian countries for which both data sets were available. Similarly, using the same data for 17 Asian countries, in combination with public allocation for basic services, results in a negative correlation with the Freedom House index of 2011, as expected (Table 14.3). Although the associations discernible from scant data are shown to be stronger for the health allocations than for the education allocations, a more rigorous analysis with a larger data set could yield stronger associations.

This analysis underscores the need for stronger participation in Asian countries. Although institutions of participation, including effective and free media, are still in the formative stages in Asian countries, new beginnings are being made in many countries. In Indonesia, for example, traditional and online media coverage about health services for the poor has generated significant public attention and has provided critical information about the Jamkesmas universal health program as well as the general benefits of universal health insurance (Chee, Borowitz, and Barraclough 2009). A major problem faced in the Asian context (and anywhere in the world) is that traditional media is vulnerable to elite capture if its free functioning is not supported by the state (Talib and Gardezi 2010).

Asia has begun using alternate ways to generate mass communication within civil society and between civil society and the government using new-media technologies such as e-mail, text messaging, and social networking through the internet. These means have become an efficient way to create, clarify, and spread information that can enhance voice and participation. There is widespread evidence of the effect of social media on the coherence of civil society in Asia.

Community radio is another such resource. For instance, radio transmissions in Indonesia were instrumental during the period of democratic transition after 1999. Jakarta-based radio news agency KBR68H, in addition to advocating legal reform and citizen participation, also supports the work of the Indonesian Association for Media Development in training journalists, technicians, and business managers to improve the quality of news and to support media freedom through the upgrading of skills in running media as independent enterprises. The example

<table>
<thead>
<tr>
<th></th>
<th>Democracy index	extsuperscript{a}</th>
<th>Freedom of the press index	extsuperscript{b}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of public health</td>
<td>0.40</td>
<td>−0.45</td>
</tr>
<tr>
<td>expenditures to</td>
<td>(0.23)</td>
<td>(−0.16)</td>
</tr>
<tr>
<td>gross domestic product</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of public</td>
<td></td>
<td></td>
</tr>
<tr>
<td>education expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to gross domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>product (%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

\textsuperscript{a}Democracy index ranges from 10 (fully democratic) to 0 (nondemocratic).

\textsuperscript{b}As defined by Freedom House (2012); lower rating indicates more press freedom.
of Afghanistan also shows the potential for radio in encouraging participation. Radio Azadi (Radio Free) Afghanistan produces a variety of programming, from special programs for youth and women to political satires and musical and literary programs (Reporters Without Borders 2009).

Decentralization and local governance

Decentralization enhances participation by providing a politico-structural arrangement that brings government closer to people and has greater potential to increase government responsiveness than fully centralized arrangements. People must participate in discussions of problems that concern them most and must fully engage in the entire range of economic, commercial, and nonprofit activities that affect their welfare. Decentralization has the potential to strengthen voice and likely to improve public sector responsiveness to local needs and aspirations. However, decentralization may not result in such outcomes if local institutions are subject to elite capture or if local governments have inadequate authority owing to insufficient financial resources (improper fiscal decentralization), become entangled in corruption or misgovernance, or have insufficient capacity to function effectively.

Centralized nonparticipatory bureaucracies generally fail to deliver traditional services effectively. Cost padding, service diversion, limited responsiveness to local needs, limited access, and high prices – charged especially to the poor – are common in such cases. Many developing countries have, therefore, begun to experiment with initiatives to increase the accountability of service providers by providing citizens’ groups with greater rights of control. This is embodied in decentralization of service delivery to local governments, community participation, direct transfers to households, and contracting delivery to private providers and nongovernment organizations (Bardhan and Mookherjee 2006).

By giving people more voice in the government’s decision-making process, fiscal and administrative decentralization has the potential to foster social capital, measured in terms of interpersonal trust. Empirical evidence suggests that people living in federal/decentralized countries find it more important to have a voice in government decisions than their counterparts living in unitary/centralized countries (de Mello 2010). Pro-voice attitudes, in turn, are associated with greater social capital (de Mello 2010).

An important proxy index of the extent of decentralization – and therefore of participatory governance – is the share of the nation’s total expenditure that is undertaken at decentralized levels (Table 14.4). Among developing countries in Asia, the People’s Republic of China (PRC) scores high in this respect, followed by Viet Nam and India. Both Indonesia and the Philippines have undertaken

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6 In the de Mello (2010) study, cross-country estimations were complemented by country-specific regressions for Brazilian and Indonesian experiences of fiscal decentralization. Results showed that the cohorts of individuals exposed to decentralization were in general more pro-voice (and trustful of strangers, in the case of Brazil) than their counterparts who had not been exposed to decentralization.
Table 14.4 Expenditure decentralization in selected Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Subnational expenditure relative to national expenditure (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian countries</td>
<td></td>
</tr>
<tr>
<td>People’s Republic of China (2002)</td>
<td>69</td>
</tr>
<tr>
<td>Japan (1990s)</td>
<td>61</td>
</tr>
<tr>
<td>Viet Nam (2002)</td>
<td>48</td>
</tr>
<tr>
<td>India (1990s)</td>
<td>46</td>
</tr>
<tr>
<td>Indonesia (2002)</td>
<td>32</td>
</tr>
<tr>
<td>Pakistan (1990s)</td>
<td>29</td>
</tr>
<tr>
<td>Philippines (2001)</td>
<td>26</td>
</tr>
<tr>
<td>Thailand (2001)</td>
<td>10</td>
</tr>
<tr>
<td>Non-Asian countries</td>
<td></td>
</tr>
<tr>
<td>United States (1990s)</td>
<td>46</td>
</tr>
<tr>
<td>Germany (1990s)</td>
<td>40</td>
</tr>
<tr>
<td>Russia (1990s)</td>
<td>38</td>
</tr>
<tr>
<td>Organisation for Economic Co-operation and</td>
<td>32</td>
</tr>
<tr>
<td>Development countries (1990s)</td>
<td></td>
</tr>
<tr>
<td>Developing countries (1990s)</td>
<td>14</td>
</tr>
</tbody>
</table>

Sources: Bahl (2002); World Bank (2003); World Bank staff estimates as cited in World Bank (2005).

massive decentralization exercises, but the quantum of subnational government expenditures remains low. Thailand and Pakistan also both have a long distance still to go.

An early World Bank (2003) study of decentralization in East Asia found four major threats to the effectiveness of decentralization being undertaken in East Asia: improper design of sound intergovernmental organizational arrangements, including unclear assignment of functions among levels of governments; inadequate mechanisms to ensure the accountability of local governments; insufficient development of financial mechanisms for channeling money to subnational governments, including failure in some instances to allocate sufficient own-source revenues to local governments; and insufficient development of capacity and management systems to manage both the human and the financial resources of local governments.

Intergovernmental organization

The first issue, relating to the proper design of decentralization structures and the clear demarcation of the functions of various levels of government, is critical to preventing overlapping functions and the consequential conflicts of responsibility and accountability. These responsibilities must be clearly outlined in the laws pertaining to decentralization. Assuming that the laws put in place are effective (though there is no guarantee that this will be true in the Asian context – the Indonesian and Philippines decentralization laws are still being debated), there remains a need to scrutinize the three other areas identified. Development issues related to these areas have led to a lot of discussion on decentralization.
Accountability

Although centralized authorities are usually held accountable by parliaments and similar representative bodies, and their actions also are closely monitored by media and civil society, with additional checks through the judiciary, such institutions of accountability are generally weaker at decentralized levels. Bardhan and Mukherjee (2006), for example, have pointed out that local democracy may not function appropriately, thus limiting accountability and responsiveness of local government officials or community leaders. Assuming that service delivery must be delegated by the central government to either a bureaucracy or local elected representatives, these authors feel that neither delegation works well in the local government context. According to Bardhan and Mukherjee, delegation to bureaucracies leads to weak accountability because the actions of bureaucrats cannot be monitored by the central government that appoints them – a result of high communications costs and the difficulty of carrying out audits of actual service delivery patterns in local areas. Wade (1997) found such a problem in the case of irrigation systems in the Republic of Korea and India where distortions are further exasperated by local bribery. Bureaucrats can extract bribes from customers because they often are the sole or monopoly providers of essential services, prioritizing customers who are more willing and able to provide bribes, resulting in poor service or nondelivery of services to low-income groups.

On the other hand, decentralization to local elected representatives is not always superior. There are two classes of local users: large and small. Large users represent a local elite and command greater political weight, giving them superior capacity to form special interest groups that can capture the government and corner benefits (Bardhan and Mookherjee 2006; Baron 1994).

There exist many approaches to solving this local accountability problem, though all such approaches must follow accepted principles of standard setting and regular participatory monitoring. One example of participatory monitoring, involving active civil society monitoring of local service delivery and appraisal of local government performance of its responsibilities, is the well-known Bangalore citizens’ report card system. Introduced in 1994, entirely at the initiative of nongovernment organizations, the system relies on surveys of local government service beneficiaries, particularly the poor. A World Bank (n.d.(a)) assessment of the system found that the first two report cards, in 1994 and 1999, resulted in some improvements in service delivery, although citizens’ general dissatisfaction with local public services continued. However, the system also led to a general awareness of citizens’ rights, and the extensive media coverage given to it finally led to its institutionalization by the Government of Karnataka in the form of the Bangalore Agenda Task Force, comprising citizens and private sector representatives, to improve delivery of services with a report card of its own. The Bangalore report card system has been adopted in several Indian cities as well as in other Asian countries, such as the Philippines and Viet Nam.

Transparency and accountability in the delivery of local services also can be improved if local governments themselves set standards of service, publish them
for the information of the citizens, and hold themselves to these standards. The Kolkata (formally Calcutta) Municipal Corporation recently made some major strides in this direction, developing a citizens’ charter with the help of the UK’s Department for International Development. The charter lists all tasks and functions involving the public and specifies timelines within which the corporation has bound itself to deliver services. For example, mutation of property titles will be provided within 7 days of date of application, if all necessary documents are received. The charter also lists contact details of responsible officials who are responsible for these services; however, to be useful, the citizens’ charter system must be combined with a regular survey of citizens to find out whether the system is actually working.

Financial empowerment of local governments

Obviously, the effect of decentralization depends to a great extent on the effectiveness of mechanisms to fund local service provision. Too often, local governments in Asia are delegated responsibilities without adequate resources to carry them out. Fiscal decentralization can be accomplished in one of three ways: through complete fiscal autonomy for local governments, involving unrestricted local taxation; through limited local financing authority, restricted to user fees, etc.; or in the absence of any local revenue raising ability, wherein local governments are entirely financed by fiscal grants from the central government.

Studies show (Bardhan and Mookherjee 2006; Wallace and Cyan 2008) that if local governments are given complete fiscal autonomy, decentralization results in an expansion of service to all categories of users; however, this result is often accompanied by increased inequality within the community, and small users end up bearing the fiscal burden of provision. The level of inequality will depend on the extent of local capture.

Limited local financing also has the potential to be regressive, but the outcome still involves higher service levels for all categories of users than under fiscal centralization. Moreover, it turns out that the outcome is Pareto superior (from the citizens’ point of view), irrespective of the extent of local capture (Bardhan and Mookherjee 2006). However, all the welfare gains can accrue to the rich; the poor can be left only as well off as under centralization.

Local services funded by fiscal grants from the center lead to a lack of local incentives to raise resources, and such grants are also often unresponsive to local needs. Evidence from Pakistan, for example, confirms this (Wallace and Cyan 2008). Data shows that, in Pakistan, the contribution of provincial governments to tax revenue is minute (0.5% of total tax revenues) and most of the revenue is generated through centralized national taxation (Hussain and Rana 2010). To a large extent, this is due to the country’s federalist fiscal structure.

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7 A change is considered “Pareto superior” when at least one party is better off and no one else is worse off.
which constitutionally guarantees the provision of funds; however, even where fiscal decentralization has occurred, local governments, given their weak capacity, have been unable to ensure service delivery with proper allocation of services to the needy. This also has made these funds inefficient. Service delivery has not shown significant improvements in Pakistan, nor in Bangladesh or Nepal, even with successive increases in grants to the provinces (Mustafa 2011).\(^8\)

In general, fiscal decentralization tends to expand service delivery levels when local governments are self-financing, and the effect is greater when they have greater fiscal autonomy (Estache and Sinha 1995). When capture is severe, decentralization expands service volumes the most but imposes the fiscal burden of this on the poor. In particular, service volumes do not represent a reliable indicator of welfare impact because they ignore the associated financing burdens. The issue of capture can best be resolved by better monitoring and accountability systems, such as an active and strong civil society, which will be elaborated in the next section.

**Capacity development of local governments**

Decentralization efforts everywhere have encountered the problem of lack of capacity to deliver services that previously were provided under centralized dispensations. Thus, although local voice and participation may improve as a result of decentralization, the gains of decentralization can easily be squandered, unless local service providers are able to develop capacities to deliver services effectively. Developing capacities is not an easy task because it requires time and because there are manifold areas where improvements are required.

For instance, an internationally assisted participatory needs assessment (formulated under the National Capacity Building Framework) for building capacities of local governments in Indonesia prior to its massive decentralization exercise in 2000 listed several major areas for improvement. The framework emphasized the need for involvement of both the public and private sectors and identified eight policy clusters for focused attention:

(i) the decentralization regulatory framework;
(ii) institutional reform measures;
(iii) human resource management;
(iv) regional finance and financial management;
(v) strengthening civil society and regional parliaments;
(vi) participatory regional planning;
(vii) local economic development; and
(viii) managing the transition period.

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\(^8\) Revenue sharing under fiscal federalism in Pakistan includes revenue from a divisible pool of taxes, 37.5\% of which is granted to the provinces. This figure stood at 12.8\% in 1951 and 27\% in 1964 (Ahmad and Wasti 2003).
It also recommended systemic interventions, covering mainly the legal framework and supporting policies; institutional interventions, such as addressing management information systems, developing structures and procedures for decision making, and planning resources; and individual interventions, such as the development of knowledge, skills, competencies, and work ethic (see Asian Development Bank [ADB] 2000).

Capacity development, as this longish list shows, does not involve only the training of local government staff. It also involves strengthening local institutions of governance and participation. Efforts to develop capacities also must be driven by local needs, which may be vastly different from place to place and thus should be driven by a fully participatory local process, though the central government and international agencies may support it.

Role of civil society

Civil society is the voluntary association of citizens to advance their common interests. It can play a critical role in Asia’s developing countries to influence the better delivery of public services and help circumvent the problems highlighted in the previous section. According to Sen (1999b), “Civil and political rights . . . give people the opportunity to draw attention forcefully to general needs and to demand appropriate public action. Whether and how a government responds to needs and sufferings may well depend on how much pressure is put on it, and the exercise of political rights (such as voting, criticizing, protesting, and so on) can make a real difference” (92).

Bunbongkarn (2004) looked at the question of whether democratization and democratic consolidation is aided by the elites or by ordinary citizens. Earlier studies suggested that democratic consolidation requires the emergence of a unified elitist group that commits itself to democratic rule (Diamond 1999). Bunbongkarn (2004) argued, however, that in recent years one could not overlook the contribution of civil society in Indonesia, the Republic of Korea, the Philippines, and Thailand. Civil society has played an important supportive role in these countries and has helped lend legitimacy to and strengthen democracy. In Indonesia and Thailand, the economic growth of the middle classes during the 1980s and early 1990s enabled participation in democratic movements, with these classes demanding more openness and liberalization. In the Philippines, transition came without economic growth as a prerequisite (Bunbongkarn 2004). The mobilization of thousands of citizens to reclaim the stolen 1986 election, through the National Citizens Movement for Free Elections, forced Marcos out of power.

These cases do not go against Diamond’s (1999) thesis that elites are the most important element of democratic institutions’ reform, but mass participation in anticorruption civil society organizations (CSOs) may be key to addressing the issue of elite capture of institutions in Asia. The Indonesian case of civil society and institutional change suggests that anticorruption organizations can be most successful during democratic transitions. The expanding urban middle class and
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ethnic groups, empowered by economic success, were increasingly critical of Suharto’s government to the extent of violent clashes. Chalmers and Setiyono (2012) wrote that civil society organizations battle at two levels – strategic and practical – at the strategic level, “CSOs endorse policy reform for strengthening the check-and-balance mechanisms between state institutions. They play this role by helping to formulate anti-corruption policies and taking the lead in the effort to build strong legal and institutional frameworks.” (91). At the practical level, “CSOs mobilise citizens to actively monitor the behaviour and performance of state institutions, as well as the work of anti-corruption agencies. CSOs themselves can thus function as agencies to independently monitor government activities” (94).

Ordinary citizens can be empowered to make their voices heard through their association with civil society. There is a difference between ordinary citizens and members of civil society. Empowerment through participation is a contingent outcome, produced as collective actors (civil society, the state, and others) negotiate relations within a preexisting institutional setup that constrains or facilitates particular kinds of action. Thus, citizens who have ties to institutional political actors – political parties, union movements, certain organized religious groups, and the state – engage more with institutions and have a greater voice. Research by Houtzager, Lavalle, and Acharya (2003) makes it clear that, after individuals become members of CSOs, they participate more actively, irrespective of their wealth or standing. This is borne out by the civil society movements of Indonesia and the Philippines, which brought ordinary citizens to the forefront and helped usher in change and movement toward stronger democracies in those countries.

Civil society movements have played a major role in changing governments and introducing democratic polity, as we have discussed. But they also play a major role in improving the workings of democracies in Asia, many of which are in a nascent state. The combination of citizens and the network of associations in which they participate represent a check on governments that seek to abuse their power. This can be achieved by nondemocratic means (during the early stages of democratization, when elections have not yet followed the consolidation of civil society); through the ballot box (after the institutions of democracy are up and running); through legitimate protest actions within functioning democracies (where such action is usually constitutionally guaranteed); and through cooperative action with public agencies to enhance service delivery. Box 14.1 discusses a protest action against corruption in India, a functioning democracy.

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9 Houtzager, Lavalle, and Acharya (2003) looked at civil society and democratic in politics in São Paulo, Brazil. They collected data through a survey of civil society actors who work for or with sectors of the lower middle class, the working class, and the urban poor and identified factors that influence the propensity of civil society actors to participate in three types of institutions: the participatory budget, constitutionally mandated policy councils, and other local participatory councils and programs. They found that collective actors with relations to institutional actors, and the Workers’ Party and state actors in particular, had the greatest propensity to participate.
Box 14.1 The role of civil society in functioning democracies – issues raised by the Anna Hazare Movement

Civil society-led peoples’ movements to bring about major changes in society have been an important feature of Asia’s history. The Indian nonviolent freedom mass movement led by Mahatma Gandhi, which resulted in Indian independence from British rule in 1947, is a celebrated example, but there also have been numerous others from more recent periods. The Philippines revolution of 1986 led to the ouster of Ferdinand Marcos and the restoration of democracy in the country. Student movements played an important part in the change from the autocratic Suharto regime in Indonesia and the ushering in of the Reformasi (Reform) period.

Although these instances concern change from autocratic regimes to democracy, the issue of whether civil society should play an important part even within functioning democracies, where parliament is the prime instrument of change, has become a major debate in India. This issue came to the fore with the civil society-led anticorruption movement in India around the issue of establishing a Jan Lokpal – an independent body to investigate corruption in government.

The Jan Lokpal bill, or Citizens’ Ombudsman bill, is a draft anticorruption bill drawn up by prominent civil society activists in India seeking the appointment of a Jan Lokpal, an independent corruption investigation body. This anticorruption bill aims to redress the grievances of citizens and protect whistle-blowers. The bill proposes to create an independent ombudsman body called the Lokpal (“protector of the people”), which can conduct investigations without government approval.

In 2010, the first Lokpal bill was drafted by the Indian government but was deemed ineffective by civil society anticorruption activists. These activists joined together as India Against Corruption to draft a citizens’ version of the Lokpal bill, later called the Jan Lokpal. The campaign included public awareness drives, protest marches, and finally, a hunger strike by Anna Hazare, a noted Gandhian. The initial outpouring of support was largely free of political overtones; political parties were specifically discouraged from participating in the movement. Hazare ended his fast on 9 April 2011, after 98 hours, when the government accepted most demands due to public pressure. The revised government version of the bill still is not to the liking of these activists, and the baton for leading the anticorruption movement has passed to other civil society players. Hazare disbanded his team because members decided to take the political route and compete in elections to advance their cause.

This case has raised the issue of whether such civil society actions are useful in fully functioning democracies. Although the debate will rage on, the movement did make certain important contributions. It led to a stronger bill, many provisions of which reflected civil society views. It also led to considerable enhancement of public awareness about the seriousness of corruption in society and government in general.

Cooperation with public agencies – the last means of action mentioned above – is perhaps where civil society organizations in Asia are quietly playing their most useful and effective development role. Public agencies delivering services can greatly enhance their capabilities and effectiveness by encouraging the participation of civil society organizations in designing, monitoring, and implementing their programs. The Bangalore report card system, mentioned earlier, is
just one example of a useful monitoring role played by civil society. Civil society groups also can help immensely in identifying the right beneficiaries, the best location for projects, and ideal designs. They also are essential in implementing and maintaining projects. Beneficiary users associations, for example, are indispensable for water, irrigation, and similar projects where beneficiaries play a key role. International development institutions working in Asia have therefore actively encouraged governments to enhance their cooperation with civil society organizations. CSOs need not necessarily be combative with governments to be effective. Through a variety of such means, civil society can play a major development role in Asia to ensure better outcomes for the poor and deprived.

Rights-based approaches

The voices of the poor and deprived in Asia will be considerably strengthened if their access to means to improve their lives and well-being are guaranteed through legally enforced provisions and statutes that take on the characteristics of rights.

In the overall context of development, rights and freedoms are essential. Sen (1999a) argued this forcefully in Development as Freedom. A country cannot be considered truly developed until it can provide basic freedoms, such as basic political and civil liberties, as well as freedom from economic deprivations. Such freedoms are of both instrumental and intrinsic importance. As instruments, they are essential to achieving better well-being for the poor. Sen also postulated that freedom is of intrinsic value – the capacity of a person to choose to do one thing and not another is an essential ingredient of well-being. But if choice is confined to a selection among options determined by others, or a person’s capability set is determined by social arrangements in which one had no say, then there is no real freedom.

The social arrangements or institutions that provide good agency for individuals to achieve outcomes that improve their well-being constitute effective voice. Necessary outcomes for genuine freedom include access to employment, literacy, property rights, adequate nutrition, good health, and so on. For example, in India, Development and Participation, Dreze and Sen (2002) showed that women’s well-being, fertility, and child survival all depend on women’s agency. In the case of India, women’s voices (as, for example, in the state of Kerala, where there is a long tradition of women’s entitlement to education and property rights) proved more effective in lowering fertility than the PRC’s one-child policy, and more effective in increasing longevity than the greater wealth and industrialization of northern India. According to Sen, it was a proper legal process of entitlements that allowed for successful development.

One of the most well known of Sen’s examples of the positive effects of rights and freedoms relates to famines. Famines in India before independence in 1947 (for example, the Bengal famine in 1943, which killed between 2 million and 3 million people) can be contrasted with the post-independence experience. Following the establishment of a multiparty democratic system, famines decreased greatly, thus providing intertemporal evidence of the positive effect of democracy.
in reducing the risk of famine (Sen 1999b). Sen also talks of famine in the PRC, when the communist Great Leap Forward program failed and policies were not corrected for 3 years (1958 to 1961). During this period, 23 million to 30 million people died. In Sen’s view, “no democratic country with opposition parties and a free press would have allowed this to happen” (92–93).

Such freedoms, however, must be backed by rights and entitlements. A legal framework to protect rights and entitlements is essential to completing the project of ensuring continued voice and participation. The legal framework should provide guarantees of basic freedoms such as freedom from want, lack of education, ill health, hunger, and so on. The specific face of these new laws will differ from country to country. Once enshrined as rights, citizens become empowered to demand delivery of basic public services at acceptable standards. Hence, public voice, particularly of the poor, acquires greater likelihood of being heard if the poor are provided with freedoms supported by rights that can be monitored by the media and civil society, which can publicize infringements and help ensure their fulfillment.

There is a danger, however, in announcing rights without making adequate provision of resources and effective implementation arrangements for their fulfillment. These are bold measures, therefore, taken by confident governments that are sure of fulfilling them. One example is the Mahatma Gandhi National Rural Employment Guarantee Act in India. This Indian job guarantee scheme, enacted in 2005, provides a legal guarantee of 100 days of employment in every financial year to adult members of any rural household willing to do public works-related unskilled manual work at the minimum wage equivalent to $2.39 per day (in 2009 dollars). The act was introduced with an aim of improving the purchasing power of rural people by providing primarily semi-skilled or unskilled work to people living in rural India, whether or not they are below the poverty line. Around one-third of the stipulated workforce is women. Various assessments of this scheme show that it has made a positive contribution to reducing poverty, but many of the beneficiaries have not been properly targeted.

Freedom from hunger is as essential as work and employment. The right to food is analogous to the right to life; however, ensuring that all citizens have sufficient nutritious food is often a gargantuan task. India’s universal midday meal scheme for public school children became a legally enforced right for such children after a Supreme Court ruling in 2003. However, although it is much discussed, the right to food has yet to be brought within the ambit of basic social rights in India and other developing countries in Asia.

Thailand’s offer of health care for all is a similar attempt to provide a basic guarantee on a major aspect of human capabilities – good health. Since 2002, Thailand has provided comprehensive health services for the entire population. Universal coverage began originally as the 30 Baht program, in which those not covered by other health insurance plans (such as plans covering public sector employees, or social security) were brought under public health services for a nominal payment of B30. Later, even this copayment was abolished. Despite facing several issues, such as inequity in service quality and high costs to the public treasury,
Thailand’s universal health care system is the first among developing countries in Asia (Sakunphanit n.d.).

Unlike health, education – particularly basic education – has long been a priority in Asia. The right to education was recognized in the Universal Declaration of Human Rights in 1948, and since then many countries, including those in Asia, have incorporated these rights within their constitutions. For example, Article 43 of the Afghanistan constitution states, “Education is the right of all citizens of Afghanistan, which shall be offered up to the BA level in the state educational institutes free of charge by the state. To expand balanced education as well as to provide mandatory intermediate education throughout Afghanistan, the state shall design and implement effective programs and prepare the ground for teaching mother tongues in areas where they are spoken” (as cited in Right to Education Project, n.d).

The right to information is being added to this list of essential individual rights and freedoms. Interacting with large and opaque bureaucracies, who often exercise monopoly power in providing essential services, is part of the daily existence of Asia’s citizens. Large numbers of Asian employees work in government offices, travel using public transport, use electricity and water from government-owned corporations, and often are provided government-subsidized food and health care, yet are denied basic information about the services provided by these public agencies that play such an important part in their lives. A right to information – such as is now available to citizens in India – is therefore essential, enabling citizens to learn what they can legally claim from the government and to use this to improve their access to public services.

Although the incorporation of such rights strengthens the voice of citizens, the provision of services associated with such rights often does not meet required standards, as has been discussed elsewhere in this volume. Nevertheless, once these are enshrined as rights, the deprived will have a greater ability to enforce their demands because government failure to provide these may make the government liable to prosecution. Indeed, the idea of using legal mandates to ensure basic minimum social attainments, such as food, employment, education, and health for all citizens in every country, is gaining ground under the rubric of the “social protection floor” (see, e.g., International Labour Organization n.d.). Such approaches will vastly strengthen the ability of the poor to demand and obtain their basic social rights.

**Conclusion**

Strengthening the voice of the poor and deprived in Asia is essential if poverty and deprivation are to be removed; however, the institutional arrangements to properly project the needs of such groups and to provide for their empowerment remain weak and undeveloped. Any project to remove deprivations in Asia must make this essential element central to its efforts.

In particular, there are four key areas where Asian governments and policy makers must focus much more attention. First, democratic institutions must be
strengthened. Many countries appear to have certain elements of democratic and formal participatory institutions, such as elections and voting, yet their governments do not properly respond to the needs of the poor and deprived. This could result from weakness in the public delivery of services, ineffective legal and judicial systems, or similar institutional failures. Although these might take time to develop, the poor may be able to get their voices heard in the meantime through a free press and media, which could act as an essential bulwark against faltering democracies in developing Asia. Their importance of the press and media must be recognized and their freedom must be actively promoted.

Many Asian governments have initiated large-scale decentralization of their administrations, giving a powerful potential impetus to strengthened participation; however, there are dangers and pitfalls in the process, and local administrations may fall prey to capture by local elites. To prevent this from happening, the laws and regulations bringing about decentralization must be carefully crafted to eliminate ambiguities about the roles and responsibilities of different levels of government. Local administrations must be strictly accountable, local governments must be provided with adequate financial authority to effectively discharge their mandates, and programs to improve government capacity to deliver services must be introduced.

Civil society movements have played a major part in strengthening the process of democratization across Asia. Civil society organizations can also play a major role in strengthening participation and ensuring that the needs of the poor and deprived are attended to by monitoring public services and helping to improve their performance. More attention is needed to secure the participation of such organizations in these roles, and support to improve their capacities should be a priority.

This chapter has focused on rights-based approaches to ensuring that Asia’s deprived groups are able to meet their most essential requirements. Rapidly growing Asia has the means to provide basic freedoms to all its citizens, especially to the poor. Minimum social guarantees to basic education have long been in existence in most countries, and the movement in Asia to extend such guarantees to other areas such as employment, nutrition, and health must gather further momentum.

References


ADB recognizes China by the name People’s Republic of China.
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Developing economies in Asia and the Pacific (developing Asia) have registered remarkable growth over the past few decades. During 1980–2010, developing Asia’s real gross domestic product (GDP) grew 7.1% annually on average, compared to the world average of 2.8% (Figure 15.1). The region’s real per capita GDP (in constant 2000 US dollars) climbed from about $257.26 in 1980 to $1,420.14 in 2010. That is an increase of more than five times, compared with about 1.5 times for the world’s per capita GDP during the same period. By 2010, the region accounted for 32.3% of world GDP; including Japan, the share reached 42.1%.

Strong growth has achieved visible reductions in income-based poverty across developing Asia (Figure 15.2), but the progress on the non-income targets of the Millennium Development Goals (MDGs) has been relatively slow in many countries, leaving much room for improvement. Developing countries’ progress toward MDGs has been (and is expected to continue to be) further delayed by the cumulative effect of the food, fuel, and financial crises since 2007. Although Asia and the Pacific demonstrated a good deal of resilience during these crises, the effect has been felt throughout the region in the form of lower production and exports, losses of jobs, credit constraints, and slower growth, together with higher cost of living and worsening inequalities.

Under the threat of a prolonged recession (or at least very slow growth) in the global economy, the pace of poverty reduction will likely slow. Even as countries strive to sustain strong growth and reduce poverty, achieving the MDGs in developing countries solely through national poverty reduction strategies is no longer guaranteed. In the aftermath of the crises, it also has become clear that regional growth needs to rebalance toward more domestic and regional demand with help from enhanced intraregional trade, finance, and investment linkages.
Developing Asia has been benefiting from strengthening regional integration. Increasing regional ties have boosted trade, economic activity, and migration, enabling the region’s poor economies to ride on strong regional dynamism and gain from the enlarged regional markets. The region has emerged as the world’s fastest growing, outperforming industrialized economies as well as other parts of
the developing world. Poverty has fallen across regional economies. Strong growth and increased income also helped increase social spending, such as on health and education.

As the region’s low-income countries such as the People’s Republic of China (PRC), India, and Viet Nam catch up, integrating their economies into the regional and global economy, regionwide income inequality has narrowed; however, income inequality within the border has been widening. Economic integration may have adverse impacts on some sectors and communities, even when its overall effect on the economy is positive. Export-driven industrialization has been in part bolstered by policies to promote rural-to-urban migration, keep wages low, encourage savings, and offer government support to certain sectors or industries. Increased competition and the inevitable restructuring that follows can lead to dislocation of some sectors and industries and to loss of jobs, which could be devastating to the poor in developing countries where social protection systems are weak. The benefits of economic integration have often been unequally distributed. Urban areas with attraction for businesses and factories move ahead of rural areas in the process of industrialization. Coastal areas with easier access to overseas markets may grow faster than inland areas. People with desired skills will do well, especially the young, who can learn and adopt new technologies and have greater mobility both within and beyond borders.

Looking ahead, regional economies need to ensure that the benefits of increasing regional dynamism are shared more equally among all people. Growth is essential to improving overall social welfare. In order to sustain high growth, regional strategies should include building regional infrastructure, deepening regional economic cooperation, formulating trade and macroeconomic policies that are responsive to job creation, allowing more flexible labor migration, establishing or strengthening regional institutions for policy coordination, and coordinating regional actions to protect regional ecosystems. Simultaneously, however, regional economies should make a collective effort to extend growth gains to the poorest and to those inadvertently socially excluded during the regional integration process by addressing poverty and other social problems.

This chapter argues that the region’s rebalancing efforts will be complete only when pursued jointly with its quest for inclusive growth. The next section discusses the imperatives of the region’s rebalancing efforts in the context of a changing global environment and suggests a set of policies that can tackle global imbalances and domestic inequality simultaneously and more effectively. The following three sections offer three strategic elements in the policy framework for the region’s rebalancing: reinforcing intraregional trade and finance, promoting regional public good, and deepening regional integration. First, we look at methods to leverage the thriving regional trade and finance. Second, we explore ways to further promote regional public good in such areas as regional infrastructure, labor migration, public services, and knowledge sharing. The third element builds on various regional initiatives for economic and financial integration and discusses necessary institutions and frameworks to support and further strengthen these initiatives. Conclusion follows.
Rebalancing for inclusive growth

The global financial crisis highlighted the risk of substantial global savings and investment imbalances that is at its root. Working out these imbalances is crucial to sustaining the postcrisis recovery momentum and safeguarding financial stability. From the perspective of developing economies in Asia, the persistent and large current account surpluses also present a puzzle and involve both explicit and implicit costs. In theory, capital should flow from capital-rich to capital-poor countries. This will allow both capital-rich and capital-poor to benefit from these flows as they increase labor productivity in capital-poor countries and provide higher return on savings for capital-rich countries; however, the current pattern of international capital flows from developing to advanced economies casts doubt on the optimality of the region’s excess savings.3

The sense of urgency brought by the crisis led the Group of 20 (G-20) to work together to reduce external and internal imbalances that could destabilize the global economy and financial markets. In this context, the group introduced the Framework for Strong, Sustainable, and Balanced Growth at its 2009 Pittsburgh summit urging members to better coordinate policies and tackle global imbalances. For developing Asia, however, the rebalancing story should not be just about external payment imbalances. In fact, many regional economies – including India and many others in South Asia, Central Asia, and the Pacific – actually run current-account deficits. Even where surpluses and excessive savings are a concern, the current features of the external imbalances resonate with various socioeconomic and structural issues in developing Asia rather than with macroeconomic policy misalignments.

Stellar growth in developing Asia has been accompanied by rising inequality. The region has achieved impressive growth over the past few decades, which in turn has translated into a significant reduction in poverty; however, Asia remains home to the bulk of the world’s poor. Evidence also points to mixed and uneven progress toward MDG targets across different subregions and countries (Asian Development Bank [ADB], Economic and Social Commission for Asia and the Pacific [ESCAP], and United Nations Development Programme [UNDP] 2010). The region’s vulnerabilities, exposed through a series of global crises – from energy and food crises in 2007 to the global economic and financial crisis of 2008–2009 – have further raised the specter of risks to attaining MDG targets on time.

It is rather ironic that inequality has increased during the period of high growth. There is no doubt that growth has been the most effective tool for reducing poverty.  

3 “A number of hypotheses have been put forward to offer some explanations for the pattern of seemingly reverse financial flows (the so-called Lucas paradox), such as large fiscal deficits, low private saving, and high productivity growth in the US; a global savings glut; financial globalization yet uneven development of global financial markets; underdeveloped capital markets; crisis-induced risk aversion; and exchange rate pegs in developing Asian economies. None of these hypotheses seem to provide a clear answer to why such a pattern emerged, but the cost of the global imbalances – whether it is implicit in terms of welfare cost of excess saving and foregone investment benefit of excess reserves or explicit in terms of the cost of crisis – is clear” (Park, Adams, and Jeong 2011, p. 40).
But in recent decades growth has become less equitable in fast-growing regional economies, compared with the earlier decades of Asia’s miracle in Japan and the newly industrialized economies. Even when compared to the experience of other developing regions, such as Latin America and sub-Saharan Africa, the trend of inequality is turning less favorable. The pace of the rich getting richer far exceeds the pace of the poor leaving the poverty trap (International Monetary Fund 2011).

Recent studies confirm that growth has become significantly less favorable to the poor in many Asian economies. Despite developing Asia’s impressive aggregate growth in the past few decades, the poor have not been able to enjoy a proportionate share of the growth benefits. Income growth in the bottom quintile of the population has been much slower than that of the average income in the PRC, India, and Indonesia (Figure 15.3). By contrast, the income of the top quintile has grown rather quickly in recent years. In the three other large Association of Southeast Asian Nations (ASEAN) countries – Malaysia, the Philippines, and Thailand – the share of the richest quintile has been falling, but there is little growth in the share of the poorest 20%.

Inequality can be destabilizing and undermines an economy’s ability to sustain longer-term growth. So, the trend of rising inequality is worrying, particularly

![Figure 15.3 Income shares of richest and poorest 20%.
Note: ASEAN3 = Malaysia, Philippines, and Thailand.](image)

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4 The trend of inequality has been more pronounced in Asia and the Pacific than in other emerging regions. As a result, levels of inequality in some parts of Asia are now worse than those in the Middle East and close to those in sub-Saharan Africa and Latin America.

5 US Federal Reserve governor Sarah Bloom Raskin, speaking at the New America Foundation Forum in July 2011, said, “Inequality is destabilizing and undermines the ability of the economy to grow sustainably and efficiently.”
given the uncertainties about global economic strength. Moreover, the recent rise in inequality can be characterized as a tendency toward concentration of income and wealth at the top, presenting additional hurdles to global rebalancing. High-income earners tend to save more, so the increasing income concentration at the top may lead to higher overall savings, aggravating the global payment imbalances.

The full story of rebalancing should address rising inequality. Both global imbalances and rising inequality can jeopardize sustained high growth. From developing Asia’s perspective, it is important that both of these issues are addressed simultaneously. There is a set of mutually reinforcing policies that can tackle global imbalances and domestic inequality more effectively. Because the issues range from the international macroeconomic sphere to national structural arenas, an appropriate policy approach will also require a comprehensive framework that amends macroeconomic misalignments and financial imbalances, addresses structural weaknesses, and fills the social gaps.

In the short term, the policy for rebalancing may be focused on switching macroeconomic expenditure around to raise domestic demand relative to trend output – including an increase in government spending on infrastructure and social programs. In the medium to longer term, however, the successful rebalancing process will hinge on policies that help engineer a growth that is inclusive and equitable. Nationally, designing and adopting an appropriate set of structural reforms and social policies will be the first step to promoting economic efficiency and productivity while ensuring that the resulting economic benefits are shared widely. Regionally, it is important to strengthen regional policy cooperation and facilitate economic and financial integration with an eye toward building common regional markets and demand.

The basic elements for inclusive growth are productivity, economic efficiency, and equity. Developing Asia continues to face high hurdles to inclusive growth. Although economic growth can effectively reduce income poverty in many developing countries, the inverse relationship between income growth and poverty, especially for various dimensions of non-income poverty, is far from straightforward. So why do some countries perform better than others in poverty measures, even when their income levels are similar? The answers are often found in their ability to deal with deep-seated structural impediments that hamper improvements in productivity, economic efficiency, and equity. Although productivity and efficiency are the usual targets of reforms, equity is an element that has often been bypassed during the growth process. Modern growth theory also seems to emphasize competition as a prime factor for maximizing comparative advantage and achieving performance; however, studies increasingly find that widening income inequality adversely affects growth performance via its effect on political stability, social cohesion, human capital formation, and other human development.

Any successful strategy for inclusive growth should address augmenting human capital and providing adequate social protection, as well as strengthening physical and social infrastructure, improving the efficiency of resource utilization,
and encouraging innovation. Education and health, which directly improve the quality of life, are critical for human development. Education enhances labor productivity, increases returns to capital, and promotes innovation.\(^6\) Health can also advance growth through its contribution to human capital. Healthier individuals are more productive because they learn better, work longer, and apply skills more economically.

Inclusiveness emphasizes equity – together with equality of opportunity and social protections against market and employment transitions – as an essential element for sustaining growth and reducing poverty. As such, inclusive growth is about both the pace and the pattern of growth (Ianchovichina and Lundstrom 2009). Not only increasing the pace of growth but also fostering inclusive growth requires a focus on broadening the participation of people, especially the poor and excluded, in economic activities and sharing the benefits from within by providing a level playing field for all economic actors and increasing productive employment opportunities.

Structural impediments prevailing in developing countries, however, often constrain inclusive growth. These impediments include those relating to education, health, and infrastructure, where more proactive public policy interventions are needed. A key instrument for inclusive growth is productive employment. Because a large share of the region’s poorest participate in the agricultural and small and medium-sized enterprise sectors, removing impediments to and increasing productivity in these sectors is essential for the creation of productive employment and hence sustained poverty reduction.

Developing Asia’s strong growth is important to maintaining the momentum of global recovery. Moreover, the region needs to improve the distribution of growth benefits through domestic rebalancing, not only to sustain its own high growth but also to contribute to global rebalancing. Rebalancing requires policies to increase domestic investment and/or consumption (depending on circumstances). There are ways for Asian economies to boost domestic consumption – for example, by remedying any disincentives for domestic consumption and boosting productivity in the service sectors. Efforts toward inclusive growth also can create important synergy by increasing financial inclusion and strengthening the public provision of social protections and services, thus reducing households’ precautionary motive for savings.

Developing Asia is a region of vast socioeconomic diversity. Given the region’s huge diversity, rebalancing will mean different things to different economies. Nevertheless, the region shares important common objectives of sustaining high growth and making that growth inclusive. Attaining these common goals requires

\(^6\) There is a clear two-way link between human development and economic growth. Studies show that human development promotes economic growth, which in turn reinforces human development. Barro and Lee (2010) found that an additional year of schooling can yield a rate of return ranging from 5% to 12%. Similarly, Jamison, Jamison, and Hanushek (2006) showed that schooling has a significant positive effect on economic growth when information on the quality of schooling is also taken into account.
three strategic elements: reinforcing intraregional trade and finance, promoting regional public good, and deepening regional integration.

**Reinforcing intraregional trade and finance**

Developing Asia has played a pivotal role in pulling the global economy out of recession, and its strong growth is expected to contribute to a more balanced and resilient global economic expansion. However, the region needs to take a more proactive approach to promoting intraregional trade and investment to accelerate the shift in the sources of demand toward domestic and regional demand.

**Intraregional trade.** Rapid growth in developing Asia has been accompanied by growing trade and investment flows, promoting competition, facilitating technology transfers, and allowing the firms to exploit the economies of scale. Figure 15.4 illustrates positive relationship between the export-to-GDP ratios and the growth rates in developing Asia. A significant body of economic literature also suggests that greater trade openness tends to be associated with higher growth and productivity (Winters 2004; Winters and Masters 2010). In fact, the sustained high growth in newly industrialized economies in the 1970 and 1980s often has been touted as an example of successful export-oriented growth strategies. The region’s exports to markets in Europe, Japan, and the United States (G-3) have increased sharply on the back of intricate intraregional supply chains, contributing to growing trade imbalances between Asia and the G-3. Some Asian countries also have encouraged exports by offering export subsidies and incentives and/or by keeping the prices for labor, land, and energy artificially low.

![Figure 15.4](image)

*Figure 15.4* Exports and gross domestic product growth (2000–2010 average).

*Source: World Bank (2012b).*
This pattern of trade – using intraregional trade for trade of intermediate goods through regional production networks but shipping the finished products to advanced economies – has enabled the region to efficiently utilize its cheap labor and expand its export markets overseas, but it also reveals some fundamental weaknesses in the context of the changing global economic environment and the evolving needs of rapidly growing Asian economies. First, as growth in many advanced economies stagnates, the sustainability of intraregional trade driven by final demand overseas is questionable. Second, the region’s tight production and distribution network has encouraged each economy to focus on producing only a small part of the final product, which tends to limit values created in local markets. Third, although the export industries promote GDP growth, it is not necessarily true that such benefits would be widely shared. In fact, as industries become increasingly capital intensive and domestic value creation is challenged, the number and quality of jobs created in such industries would be limited.

From the regional perspective, trade is still an important source of growth; however, for the growth to be resilient and sustainable, the regional economies should reengineer their trade to contribute to inclusive and balanced growth. Contribution of export industries to the social and economic development of a country has been often elusive (Khan 2005). Indeed, intraregional trade has been rather concentrated in some specific manufacturing goods, such as electronic parts and components, limiting the scope of domestic value creation and lowering the chances of improving the quality of jobs, and hence wage levels. Workers in local subsidiaries of multinationals that aim to serve external demand also remain vulnerable to the risk of job losses if the foreign headquarters decides to relocate the factory because their wages have risen beyond competitive levels or external demand conditions turn unfavorable. In addition, as production becomes increasingly automated, industry becomes more capital intensive. As a result, the creation of jobs, especially decent quality ones, becomes increasingly challenging.

The strategy of export-driven growth – especially when relying on advanced markets for exports – has to be revisited given the ongoing shift in global economic paradigm. With overseas demand weakening, Asian economies need to rebalance the underlying demand for intraregional trade by strengthening domestic/regional demand to fill the gap. Although it is rather unrealistic to expect that Asian economies will shy away from their strong export-driven growth strategies overnight, it is important to improve the current practice in terms of its contribution to greater resilience and inclusiveness.

First, the expected better performance of many developing countries suggests vast opportunities in South–South (i.e., among developing countries) trade and cooperation. The rise of emerging market power offers a good potential for new sources of demand for Asian exports. Rapidly growing emerging market

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7 Khan’s (2005) analysis indicated that trade liberalization has limited effect on poverty reduction. Previous literature also suggested that, although trade openness can have an indirect effect on poverty reduction through its positive effect on growth, trade openness alone is not sufficient to reduce poverty.
Regional quest for inclusive growth

Economies are adding a large middle-income population, which can be tapped for final demand behind intraregional trade. Intraregional trade is already on the rise, whereas the major industrial countries’ participation in the region’s trade is declining (Figure 15.5). Proactively leveraging this emerging regional trade dynamic to reignite export industries as an engine of growth could help the region sustain its healthy growth, thus contributing to job creation and rebalancing.

Second, effective rebalancing requires effort on the supply side as well. Asian economies should refocus intraregional production and trade networks to meet the final demand of their own. To this end, Asian firms should move up in the global value chains and boost productivity. Asia’s trade has been dominated by low value-added assembled goods produced through the region’s supply chains; however, the prevailing pattern of intraregional trade – which relies heavily on the trade of goods, especially manufactured goods – seems inadequate for delivering growth benefits to the region’s vast population. The strong dynamics of intraregional trade has to be better leveraged to create jobs, especially quality jobs, by making conscious efforts to push the country’s production up in the global and regional value chains. Greater domestic value creation will help increase high-quality job opportunities, in turn improving wages and living standards.

Third, and more specifically, policy efforts should be refocused on the service sector, which can aid substantially in distributing growth benefits more broadly. In recent years, the service sector’s contribution to GDP has grown across the region (Figure 15.6). The industry owes its success to advances in information and communications technology, which eliminated the geographic boundary

Figure 15.5 Developing Asia’s trading partners.
Figure 15.6 Structural transformation in developing Asia, East and Southeast Asia, and South Asia.

for many service providers’ businesses. Local service providers can now easily expand their businesses to overseas clients and tap into global demand without having a physical international presence. This trend is only strengthening as the cost of information and communications services continues to head lower. The prospect of future job creation is also brighter in the service sector, given its strong productivity growth and skill and labor intensity.

**Intraregional financial flows.** Additional consideration should be given to increased opportunities for intraregional investment flows. External finance – including foreign direct investment (FDI), remittances, and aid – is an important source of funding to meet the region’s need to close large development gaps. In recent years, developing Asia’s aggregate savings have exceeded the region’s investment. Meanwhile, poor financial intermediation and lack of financial inclusion continue to be major hurdles to inclusive growth in many economies. For many regional economies in which growth remains a high priority in the effort to catch up and further reduce poverty, policy focus should be on accelerating financial sector development with an emphasis on financial inclusion to reach traditionally underserved segments such as small and medium-sized enterprises and poor households, and the use of remittances. In this context, effective mobilization of regional savings for regional investment could help reduce the development gaps across the regional economies as well as the gaps within borders.

As a relatively stable and long-term source of development funding, FDI flows can play a pivotal role in closing development gaps and reducing poverty. FDI flows spur economic growth and jobs by integrating the economy into the world market, transferring new technology and innovation, increasing competition, and developing human resources. For developing Asia, however, there are two issues with regard to maximizing the gains from FDI for the region’s balanced and inclusive growth. First, developing Asia has emerged as a major destination for global FDI flows on the back of strong growth prospects and sound fundamentals. But the level of FDI flows differs widely across the region, with the PRC accounting for a lion’s share of total FDI flows to the region (Figure 15.7). Second, although some of the region’s large economies have begun actively investing overseas, the destinations of such outflows largely lie outside the region.

The rise of the PRC, together with the strengthening regional production and business network, has been positive for FDI flows to the region as a whole; however, it is also undeniable that the PRC presents increased competition for other regional economies in attracting FDI. Attracting FDI will require greater regional efforts to broaden and deepen the production and business network. But more importantly, small countries need to pay extra attention to improving their business and investment climate to leverage the region’s attraction and channel FDI flows to their own economies. Increased FDI outflows from the region’s large economies also suggest opportunities for better mobilization of regional financial resources for the poorer countries. Regional efforts to develop and integrate the region’s financial systems can help promote intraregional FDI flows to the poorer countries where investment needs are high and capital is scarce, assisting in the reduction of regional development gaps and inequalities.
International remittances also are a very important source of income for poor households in the recipient countries, reducing poverty and mitigating its severity, often leading to better health and education and thus contributing to human capital development, and providing better chances for business investment and
entrepreneurship (Adams 2005; Lu and Treiman 2007; and Yang 2006). Asian economies are among the biggest recipients of international remittance flows, receiving a total of $192 billion in 2010 (Figure 15.8). India was the top recipient, with $58 billion, followed by the PRC, with $57 billion. The Philippines ranked fourth, with $23 billion. In terms of the share of GDP, however, the top recipients are small, low-income economies such as Nepal, Samoa, Tajikistan, and Tonga.

There is no doubt that such remittance flows benefit a large population in the region (mostly through support for the recipient families), but their effect on broader development fronts remains dubious. Very often, poor recipient countries are unable to realize the full potential of such flows due to lack of basic infrastructure and access to financial services. Also, remittances are often concentrated in middle-income economies because the relatively high cost of migration keeps the levels low in low-income developing countries. Regional efforts should focus on maximizing the potential gains of increasing remittance flows for economic development and poverty reduction.

Foreign aid can reduce poverty by funding for economic development, and often by addressing various issues directly. In fact, the primary purpose of foreign aid increasingly has been poverty reduction. Official development assistance or foreign aid, via loans, grants, technical assistance, and other forms of cooperation, aims to promote economic development and welfare in developing countries. Aid flows can play an essential role in development finance, as a complement to other funding sources, especially in the least-developed countries, which lack the capacity to attract foreign private capital flows. Foreign aid also can target specific issues, focusing on human capital, education, health, public infrastructure, rural development, and the environment.

![Figure 15.8](image-url)  
Figure 15.8 Workers’ remittances in developing Asia ($ billion).  
Developing Asia attracts sizeable official development assistance, second to only Africa among developing regions, amounting to $25.3 billion in 2010. There are also increasing aid flows within the region. Aside from the region’s developed countries, many developing countries also provide aid, mainly in the form of technical assistance. Aid flowing from other developing countries includes certain benefits, such as shared development experience. Given the similar economic, cultural, geographic, and social conditions, their assistance can be more readily absorbed by the recipient countries. In this context, the region should promote South–South cooperation to increase aid flows. The region’s more-developed countries can team up with other developing countries to assist the poorer countries in need of aid. The recipient countries also should improve utilization, enhancing the effect of the aid by promoting good governance and policies.

**Promoting regional public good**

The definition of regional public good is broad and wide-ranging, comprising any commodity, service, system of rules, or policies whose benefits are to be shared widely across the region. Often these goods and services are public in nature and, to be adequately provided, require collective action on the part of participating countries.

The concept of regional public good draws on the rationale that regional economies share common challenges for development, which can be addressed more effectively and efficiently at a regional level through collective action and cooperation. Regional public good – for example, regionally shared infrastructure, power, water, and health care – is essential for development but may not be adequately provided by national governments, given the substantial cross-border externalities. Regional public good also generates economies of scale and has the potential to distribute economic gains more evenly than increased trade or investment. Well-established regional public good helps attract private and public investment to the region as a whole.

From the regional perspective, priority should be given to areas where regional cooperation can generate high returns in terms of contributing to rebalancing the economy and reducing income inequality. These include cross-border public infrastructure development, health and sanitation, regional migration of labor, and regional environmental issues.

**Cross-border public infrastructure development.** Improving regional connectivity can offer large benefits through upgrading and extending the region’s infrastructure networks. Geography remains a major hurdle to economic development and inclusive growth. Despite rapid overall growth in Asia, growth outcomes show wide variation and diversity across countries and subregions. Remote, landlocked, and mountainous countries tend to suffer from high trade and transport costs, which have substantial adverse effects on overall socioeconomic development.

Developing Asia continues to suffer from a large infrastructure deficit, particularly in transport and connectivity (Figure 15.9). The potential benefits of
cross-border public infrastructure development include increased market access, reduced trade costs, and more efficient use of the region’s resources, such as labor, land, and energy. Better regional infrastructure networks will certainly boost intraregional trade. It also can contribute to more efficient supply chains and production networks and enable the region’s consumers to gain greater cost-efficient access to finished products produced in Asia. Adequate infrastructure provision can also support economic development and diversification in nontraditional areas away from urban and coastal areas. In particular, improving rural infrastructure (such as irrigation, storage, and transport) will help increase agricultural productivity, which in turn can more directly affect poverty reduction in developing Asia where the majority of the poor live in rural areas and depend on agriculture.
Figure 15.10 Phone subscriptions and internet usage, 2010 (per 100 people).


Note: Phone subscriptions represent the sum of mobile and landline phone subscriptions per 100 people. Internet usage represents the sum of fixed broadband internet and regular internet subscribers per 100 people.

Providing a broad range of infrastructure services also plays an important role in strengthening connectivity. Of particular importance is logistics support (Figure 15.10). Basic infrastructure services include business, financial, and freight services along with information technology and communication. These
services will indirectly benefit other sectors of an economy by making transactions more efficient.

An ADB and Asian Development Bank Institute (2009) study estimated that the expected benefits of regional infrastructure for pan-Asian connectivity would be as much as $13 trillion for developing Asia during 2010–2020 and beyond, if the required investment were made. But the region’s infrastructure investment needs for 2010 to 2020 are huge, requiring the region to invest approximately $750 billion per year, of which $290 billion will be spent on specific regional infrastructure projects. This requires an appropriate institutional framework and financing mechanisms. ADB calls for a pan-Asian infrastructure forum to help coordinate subregional infrastructure initiatives and develop regional infrastructure. To this end, an Asian infrastructure fund to mobilize resources can be considered. The fund can help prepare, design, and finance priority regional infrastructure projects.

Health and sanitation. Promoting regional health cooperation must be a priority. Developing Asia is a highly populated region with poor public health and sanitation services in a number of countries. The increasing movement of people and goods also makes the region vulnerable to the spread of communal diseases. In the past decade, the region has experienced outbreaks of severe acute respiratory syndrome (SARS) and avian flu, with devastating socioeconomic impact. In particular, the poor handling of SARS at the initial stage highlighted the importance of cross-border monitoring, information sharing, and coordinated efforts to contain such epidemics. Regional health cooperation must improve substantially. Many developing countries in the region need sizeable public investment in health services; however, the threat of pandemics is regional, beyond national borders, and requires much enhanced transparency and cooperation with appropriate preparation for burden sharing across regional economies.

Much improvement in public health and sanitation policies is needed. Although national governments need to invest more and improve public health services, some issues require regional attention. The pandemic threats highlight the importance of information. The lack of transparency and inadequate information sharing hampers effective monitoring and surveillance of communal diseases and makes it difficult to contain epidemics during outbreaks. Immediate collection and dissemination of information is key to preparing for the threats and to treating and containing them effectively. The region should also work on building adequate

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8 Infrastructure for a Seamless Asia (ADB and Asian Development Bank Institute 2009) focuses on developing regional infrastructure in Asia, offering estimates for the expected benefits and investment needs of regional infrastructure, arrived at through a computable general equilibrium model. The study also suggests a framework for pan-Asian infrastructure cooperation.

9 Severe acute respiratory syndrome, the first case of which was reported in the PRC in November 2002, was deemed a global threat by the World Health Organization around mid-March 2003. There were 8,098 reported cases in 26 countries, with 774 deaths by July 2003. The World Health Organization (2007) estimated that SARS cost Asian countries $60 billion of gross expenditure and business losses in the second quarter of 2003 alone. As of 29 May 2012, the avian flu outbreak had affected 604 people with 357 fatalities since 2003.
production capacity for necessary vaccines and medical resources. The region’s poor countries are particularly vulnerable to the threat of pandemics, given their generally poor public health conditions and low capacity in handling the spread of diseases. Extra efforts must be made to include poor countries in the region’s systemic surveillance, treatment, and containment of epidemics by providing financial and technical assistance.

**Regional migration of labor.** Migration of labor offers potentially large benefits, reducing labor supply–demand gaps in the receiving countries, and remittances to the sending countries boost economic development. World Bank (2012a) data show that 43 million of the 167 million migrant workers around the world, or about one-quarter of all migrant workers, come from developing Asia. Yet, migration is a complex issue driven by various economic, social, and political factors. The trend of globalization and liberalization in trade and finance notwithstanding, therefore, governments have been reluctant to free the movement of labor. Although there seem to be significant potential risks and negative externalities associated with migration, the lack of a proper regulatory and policy framework, or even guidelines, hampers the efficient allocation of labor, an essential input for production, and more importantly could put migrant workers in unnecessarily risky and vulnerable positions.

In developing Asia, which strives to strengthen regional economic integration, migration requires greater policy attention. There is a need for a consistent and coordinated regional policy and regulatory framework for migration and remittance flows to effectively utilize the full potential of migration. The United Nations Global Commission on International Migration (2005) also calls for greater coherence, cooperation, and capacity in the global community to achieve a more effective governance of international migration. Given the complexity of migration, it may be difficult to provide a set of policies that fits universally; however, the lack of a coordinated approach to migration – both intentionally and unintentionally – is a major obstacle to achieving the region’s shared prosperity.

In this context, several issues must be highlighted. First, a regional information center can be established to collect and widely distribute information about each stage of migration and about remittance flows. Information is helpful for monitoring the trend of regional migration but it also can support the effective use of remittances by assisting the authorities in tracing often-fragmented remittance flows. Information sharing can enable coordinated public assistance for better management of remittance flows for development purposes and investment opportunities.

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10 The World Bank (2012a) Global Bilateral Migration database presents global matrixes of bilateral migrant populations spanning the period 1960–2000, disaggregated by gender and based primarily on the foreign-born concept. The data show that global migrant populations increased from 92 million to 165 million from 1960 to 2000. South-to-north migration is the fastest growing component of international migration in both absolute and relative terms. The United States remains the most important migrant destination in the world, home to one-fifth of the world’s migrants and the top destination for migrants from no fewer than 60 countries.
Second, management of migration and remittance flows should be more regionally coordinated. A regionally coordinated approach to migration will enable efficient allocation of labor resources for the integrated regional market, thus contributing to productivity increases. Appropriate regional rules and regulations can also help address concerns about job losses in receiving countries and a brain drain in countries of origin.

Third, there should be more regional attention and coordination to protect migrant workers from abuse and exploitation. Although all migrant workers can be exposed to bad situations, undocumented and irregular workers, who tend to be low skilled and poor, face significant risks of mistreatment. Women and children are often particularly vulnerable; illegal trafficking is another serious concern.

Migrant workers’ rights and welfare should be an important consideration in regional agreements. There are several international conventions to protect migrant workers’ rights and promote their welfare. The ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers also emphasized the fundamental rights and dignity of migrant workers. Although the intentions behind these international conventions are widely recognized, however, many of them have not been enacted as part of domestic law and are not legally binding in national courts. Regional cooperation on these issues and peer pressure could encourage countries to adopt international conventions. Regional cooperation can also help with the collection, documentation, and dissemination of information and best practices for the welfare and social protection of migrant workers.

Regional environmental issues. Rapid growth combined with urbanization and industrialization in developing Asia is putting strains on the environment. Problems of pollution, energy, water, and sanitation are particularly pressing as accelerating income growth and urbanization accompany increased numbers of vehicles and construction of new commercial and residential buildings, power plants, and factories. Climate change also poses a real threat to developing Asia. The region remains vulnerable to environmental shocks, such as droughts, floods, and other extreme weather events. An ADB (2009) study estimated that the economic cost of climate change in Southeast Asia may reach an average of nearly 7% of GDP per annum until 2100 if no action is taken to adapt. The situation will only worsen with extreme events, as seen in the recent flood, which caused severe damage amounting to $40 billion in Thailand alone as of March 2012 (The Thai Financial Post 2012).

Swift actions are therefore necessary to avoid lock-ins in brown growth, meaning that the growth path follows the business-as-usual pattern, which continues to exploit the environmental resources. Countries need to take immediate measures to promote efficient use of natural resources, such as energy, water, and land, while setting up strict emission standards on polluting agents, with strong enforceability. Of particular concern are energy and water shortages. Although countries’ development needs must be met adequately, authorities should address environmental concerns simultaneously. Many low-income developing countries need to make extra efforts to eradicate energy poverty and reduce income poverty. Growing water shortages are another concern around the region. Priorities include
enhancing energy efficiency; promoting the use of clean and renewable energy; building sustainable transport systems; designing integrated urban planning; developing climate-resilient, green infrastructure; and integrating environmental policies into a broad economic and sector policy framework. In order to do so, market signals have to clear through adopting an appropriate pricing mechanism and fiscal considerations must be addressed. For example, prevailing fuel subsidies across the region should be removed to align domestic energy prices with international prices.

Many environmental issues are borderless and require collective efforts to offer solutions. Collective regional and subregional actions are important to reducing the pollution of air, soil, and water and tackling the effects of global climate change. Decreasing quality of agricultural resources and degradation of land mainly affected the poor in a region where the majority of the poor live in rural areas, a situation that requires particular attention. Regional agreements can help address these issues collectively in a more forceful manner. ASEAN countries reached quite a few agreements and made action plans to control transboundary haze and improve air quality, prevent and mitigate land and forest fires, and reduce deforestation and forest degradation. Similar agreements can be introduced to tackle other environmental damages and can be broadened to include more regional economies.

Another important area for regional cooperation is the prevention and management of natural disasters. Natural disasters such as tropical storms, floods, and tsunamis have increased in frequency and intensity, reflecting the effects of climate change. The economic, social, and human costs of such disasters are often beyond the capacity of crisis-affected countries. Developing early warning systems and building rehabilitation capacities can help minimize the effects and facilitate recovery. Mobilizing funds regionally also can relieve some of the fiscal constraints to disaster management faced by many developing countries. There are many options for the regional community: setting up an emergency fund for natural disasters, perhaps in connection with existing initiatives on pooling reserves, such as the Chiang Mai Initiative Multilateralization, or tapping private funds by introducing innovative market instruments such as catastrophe bonds and crop insurance. Capacity building is essential in poorer countries where the region’s more advanced economies should focus more financial and technical assistance.

Sustaining high growth without irreversibly damaging the environment is a big challenge for most developing countries. Given the immediate threat of climate change, the current trajectory of growth is not viable. Developing Asia needs to rethink its growth paradigm, shifting from brown to green. The quest for sustained high growth must be reconciled with diminishing natural resources. As much as possible, growth must be decoupled from further increases in greenhouse gas emissions and environmental degradation. But the new paradigm also must seek new jobs and new sources of economic advancement, drawing on emerging clean technologies and greening economic sectors.

Green and low-carbon growth requires substantial investment. For example, a McKinsey & Company (2009) study estimated that, in order to make a shift toward
a low-carbon growth path, the PRC would need an average of up to $270 billion in incremental capital investment each year during the period 2010–2030, reaching 2.5% of its projected GDP in 2030, and that this amount would cover only mitigation. The World Bank (2010) also estimated that Asia and the Pacific region needs incremental financial resources in the range of $18 billion to $26 billion per year over the period 2010–2050 to adapt to a world approximately 2°C warmer. Such a magnitude of investment alone will require more effective regional cooperation to mobilize both public and private financial resources across the region.

Regional public policy has a crucial role to play in facilitating the shift to low carbon growth and making the necessary investment. Harmonizing rules, regulations, and standards would be essential to making the regional efforts effective. The region also can set up carbon markets to provide an appropriate price for carbon and to send accurate price signals. Regional policy cooperation will also help improve the efficiency of national fiscal measures such as imposing a carbon tax and removing fossil fuel subsidies, without creating unnecessary price competition tensions or causing gas and oil smuggling. There are also many positive externalities to be exploited regionally by promoting research and development, transferring technology, and sharing knowledge and experience.

**Deepening regional integration**

Greater regional cooperation holds a key to unlocking the potential of regional dynamism to achieve more balanced and inclusive growth. Boosting intraregional trade and finance is often the easiest and most obvious step toward stronger regional cooperation. Increasing regional business activity will naturally lead to further economic integration. Beyond the active trade of manufacturing goods, policy interventions should aim at accelerating the liberalization of agriculture and services trade, and easing impediments to the cross-border flow of labor and capital. Policy priorities should also focus on increasing the synergies of domestic efforts to enhance human capital. Opening labor markets is an essential part of economic integration as well and will enhance competitiveness and productivity. Effective cross-border policy coordination can also provide an impetus to push reforms conducive to enabling a business and investment environment, both regionally and nationally.

More specifically, further policy consideration should be given to behind-the-border distortions and impediments to trade – especially those associated with labor mobility and capital flows. Although much progress has been made in at-the-border liberalization and in reducing restrictions on manufactured goods trade, only rather slow progress has been made in removing the behind-the-border impediments to trade in goods and, importantly, services. Principles of trade liberalization – together with best practices – must be actively applied to trade in services as well. Specific policy interventions can aim at reducing the costs of doing business across the region by reducing red tape, simplifying and harmonizing customs procedures, and agreeing on product standards, among other actions.
Good progress is being made in some parts of the region. For example, under the 2015 ASEAN Economic Community road map, ASEAN introduced a comprehensive framework for further trade liberalization encompassing goods, services, labor, and investment (Box 15.1). The ASEAN-plus mechanisms (such as ASEAN + 1, ASEAN + 3, or ASEAN + 6) or other regional processes can also consider such frameworks to remove impediments to cross-border flows of labor, capital, and services, thus promoting growth in intraregional trade. While doing so, it is important to ensure that the region’s trade rules are consistent with international rules, guidelines, and best practices. The success of these subregional examples can be replicated by other subregions, creating wider coverage of regional groupings over time.

Box 15.1 The Association of Southeast Asian Nations Economic Community

The Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) traces its beginnings to October 2003 when ASEAN leaders endorsed the Bali Concord II. The concord called for the creation of an AEC, by 2015, that would transform ASEAN into a region with free movement of goods, services, investment, and skilled labor, and a freer flow of capital. The blueprint for the AEC was fleshed out in 2006, during the ASEAN economic ministers meeting in Kuala Lumpur, to identify concrete and specific steps to forming the AEC. In 2007, during the 12th ASEAN summit in Cebu, Philippines, the ASEAN leaders reaffirmed their commitment to the AEC and agreed to hasten its establishment. Finally, on 20 November 2007, ASEAN leaders signed the AEC 2015 Blueprint, laying the foundation for an integrated Southeast Asian region by 2015.

The AEC 2015 Blueprint envisages four interrelated and mutually reinforcing pillars:

(i) a single market and production base;
(ii) a highly competitive economic region;
(iii) a region of equitable economic development, and
(iv) a region fully integrated into the global economy.

For each of these pillars, there is a time schedule for specific measures and initiatives to be implemented in order to achieve the AEC 2015 vision. To monitor progress toward AEC 2015, the ASEAN established the AEC Scorecard, which tracks achievements and reports progress to ASEAN governments every 2 years.

Pillar I: Single market and production base. The free movement of goods, services, investment, and skilled labor, as well as freer flow of capital, forms the first pillar of the AEC 2015 vision. This pillar, however, is the most complicated to achieve. Free flow of goods requires the elimination of tariff and nontariff barriers to trade, trade facilitation, customs integration, the establishment of an ASEAN single window, and harmonization of technical standards. Similarly, free flow of services requires the removal of restrictions to trade in services, particularly in five priority service sectors: air transport, information and communications technology (e-ASEAN), health care, tourism, and logistics services. On the other hand, free flow of investment and freer flow of capital requires the elimination of investment restrictions, investment facilitation, financial market liberalization, and capital market development. Finally, the free flow of skilled labor requires facilitation in the issuance of visas and employment passes, along with standardization and harmonization of labor standards.
Under Pillar I, the AEC Scorecard identifies 173 measures, 114 of which have already been achieved. A number of agreements have been reached to achieve this pillar, such as the agreement on the ASEAN Free Trade Area, the ASEAN Trade in Goods Agreement, the ASEAN Framework Agreement in Services, the ASEAN Agreement on Movement of Natural Persons, and the ASEAN Comprehensive Investment Agreement. Capital mobility has also been facilitated by the establishment of the Credit Guarantee and Investment Facility and the $485.2 million ASEAN Infrastructure Fund.

**Pillar II: Competitive economic region.** To achieve Pillar II, ASEAN member countries must review, modernize, and harmonize a number of policies in the areas of competition policy, consumer protection, and intellectual property rights, as well as supporting further infrastructure development. Infrastructure in this sense refers to transportation, energy, information and communications technology, taxation, and e-commerce. The AEC Scorecard noted achievement of 53 out of a total 78 Pillar II measures. To this end, the ASEAN Regional Guidelines on Competition Policy was drafted and the ASEAN Committee on Consumer Protection was established. Member countries also endorsed the ASEAN Intellectual Property Rights Action Plan 2011–2015 and the Brunei Action Plan 2011–2015 for infrastructure development.

**Pillar III: Equitable economic development.** Pillar III focuses on two main measures: the development of small and medium-sized enterprises and the Initiative for ASEAN Integration. For small and medium-sized enterprises, the AEC road map aims to improve access to finance, enhance management capacity, and improve linkages to the global economy. The Initiative for ASEAN Integration, on the other hand, aims to ensure that the benefits of regional integration reach the smaller ASEAN economies (Cambodia, the Lao People’s Democratic Republic, Myanmar, and Viet Nam). The AEC Scorecard shows achievement of 8 out of 12 Pillar III measures. The main achievement was the implementation of the ASEAN Framework on Equitable Economic Development.

**Pillar IV: Integration into the global economy.** Pillar IV requires a coherent approach toward external economic relations (i.e., outside ASEAN) and enhanced participation in global supply networks. Key to achieving this pillar is the ratification of ASEAN + 1 free trade agreements. To date, all ASEAN member countries have ratified ASEAN + 1 free trade agreements with Australia, the People’s Republic of China, India, Japan, the Republic of Korea, and New Zealand. Of the total 14 AEC Scorecard measures under Pillar IV, 12 have been fully implemented so far.

Source: ASEAN Secretariat (2012).

Another issue is a proliferation of bilateral free trade agreements in the region, reflecting the strong emergence of South–South cooperation, whereas global trade talks are stuck in years of stalemate for various reasons.11 Consolidating bilateral free trade agreements into a regionwide and comprehensive agreement can help mitigate the harmful effects of different or competing tariffs, rules of origin, and standards – the so-called “Asian noodle bowl effect.” Achieving a regionwide free trade agreement clearly is a very difficult challenge for Asia, a region of immense

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11 There has been a surge in free trade agreements in the Asia and the Pacific region since the Asian financial crisis of 1997. ADB estimates that there are about 190 free trade agreements, of which 126 are concluded and 64 are under negotiation, compared with only 29 concluded agreements in 1995.
economic, social, and political diversity. Nonetheless, it would offer potentially huge economic benefits, enabling these economies to gain wider market access to goods and services, exploit greater economies of scale, benefit from easier labor mobility, attract foreign direct investment, and facilitate skills and technology transfers.

The effective delivery of regional public good depends on effective regional integration. Economic integration helps create a common ground for the region’s diverse economies to produce, trade, invest, and share the benefits of growth, maximizing the use of the region’s limited resources for shared growth. Prerequisites for effective integration are political will based on mutual interests and common goals, macroeconomic policy cooperation, and harmonization (or at least mutual recognition) of rules. Establishing an appropriate regional institutional framework for a level playing field and good governance is an essential element of effective integration and the streamlining of regional agreements into national policies. This will also promote accountability, transparency, and respect for the rule of law, hence fostering an enabling environment. The region’s common market, where goods and services trade at the lowest cost and where factors of production (labor, capital, energy, and other inputs) move freely, can offer best opportunities to all.

Financial development and integration is another critical issue for regional public good. The region’s largely underdeveloped and fragmented capital markets present an important impediment to funding long-term development needs. Financial systems in many regional economies remain dominated by banking systems, particularly in low-income developing countries. Meanwhile, infrastructure is typically a long-term project, creating large asset–liability mismatch problems in the banking sector, whose main funding sources are short-term deposits. Developing longer-term and less-volatile development finance would be a fundamental element for improving the region’s infrastructure. In the wake of the 1997/98 Asian financial crisis, many regional economies have actively developed local currency bond markets. Growing local currency bond markets helps reduce development gaps by increasing investment in infrastructure and social protection.

Regional financial stability is now widely recognized as a regional public good. Asian economies should reinforce cooperation to ensure financial stability. During the latest global financial crisis, several economies experienced severe disruptions in their currency and asset markets due to difficulty accessing external funding sources. National mechanisms to stem the spread of financial panic proved to be largely inadequate, ineffective, and inefficient in the face of massive deleveraging in advanced economies, tight international liquidity, and worsening growth prospects. The economic consequences of financial crisis are dire and often are most devastating to the poor.

Experience and research demonstrate that an appropriately designed institutional framework for finance is an essential element for a well-functioning financial sector that, in turn, supports economic growth while safeguarding financial stability. A reliable institutional framework provides the rules of the game for financial transactions and supports financial sector development. Without an
appropriate legal and institutional framework, effective finance will not develop. Previous episodes of financial crises, including the Asian financial crisis and the global financial crisis, underscore the importance of ensuring financial stability at all times. Legal and regulatory reforms, together with necessary infrastructure and capacity building, are also requisite for enhancing financial stability.

Safeguarding financial system stability, individually and collectively, is an absolute necessity to prevent a crisis of confidence. Although reform of the global regulatory system is underway, large and volatile capital flows continue to pose policy challenges to many Asian economies. Looking ahead, Asia’s developing countries would benefit from the establishment of more concrete regional mechanisms to support economic and financial cooperation, policy coordination, crisis prevention, and liquidity assistance. Further regional cooperation is required in four important areas: establishing multilayered financial safety nets through, for example, Multilateral Development Banks’ lending facilities, regional arrangements such as the Chiang Mai Initiative Multilateralization, or central bank swap lines; strengthening macroeconomic and financial surveillance; furthering regional bond market development; and promoting dialogue about regional financial stability.

Conclusion

Four years after the onset of the global financial crisis, recovery remains incomplete and the state of the global economy is fragile. Developing Asia has been a bright spot during this difficult time. Despite the region’s impressive growth of the past few decades, however, the region remains home to two-thirds of the world’s poor and persistently large development gaps.

Sustained growth is essential, but growth alone proves to be insufficient for poverty reduction and at times even exacerbates inequalities. The trend of rising inequality is worrying, given its destabilizing effect on the economy and its harmful effect on social cohesion. Particularly given the uncertainties over global economic strength, inclusive growth in developing Asia is imperative not only for the region’s own prosperity but also for the balanced and resilient global economy.

If developing Asia is to realize its vast potential, it needs to leverage the strengthening regional dynamism while ensuring that its growth is more inclusive, engaging a broader public – especially the poor and excluded – in economic activities and sharing the benefits from within by providing a level playing field for all economic actors and increasing productive employment opportunities. Prioritization of development strategies with a tendency toward poverty reduction is key to achieving such growth.

The region should forge a more forceful collaboration to maximize the opportunities arising from strong regional dynamics. Regional cooperation can help address critical economic, social, and environmental issues directly, but more importantly, it can play a catalytic role in mobilizing broad support and creating peer pressure for important causes – much as the MDGs framed a global focus on poverty and key social issues. Strong policy coordination on the back
of sharing knowledge and experience could promote best practices and maximize policy effects by creating synergy and reducing duplication.

There are great opportunities to be exploited through further regional cooperation for shared prosperity. First, the strengthening of regional trade and financial ties must be effectively leveraged to bring poor countries together in the regional business and production network. Connectivity, both physical and human, can enable the poor to take advantage of the regional economic and social network, enhancing job opportunities and improving their welfare. Building physical and communication infrastructure must be prioritized to connect the poor, remote, and disadvantaged with the regional centers. Facilitating the cross-border mobility of labor and capital also helps to allocate the region’s resources more efficiently, enhancing productivity and reducing development gaps across the region.

Second, international migration should be given particular policy attention. Migration presents large potential benefits for both the receiving and sending countries, especially through the positive poverty reduction effects among the families left behind in the countries of origin. Cross-border labor migration should be promoted and facilitated with appropriate rules and regulations. Regional cooperation can help monitor and manage migration to address skill gaps in local labor markets, collect information, avoid undue social tensions, and share the burdens of monitoring and management responsibility. Collective action and cooperation are required to protect the basic rights and welfare of migrant workers and to stop illegal activities and human trafficking.

Third, investing in regional public good – infrastructure, health, and the environment – helps to more effectively and efficiently tackle the common challenges facing regional economies. Effective investment in regional public good will turn the region into an attractive place for business, investment, and living. Regional economies should improve public health services and sanitation, and cross-border cooperation is essential for surveillance and monitoring of potential pandemics. Establishing a collaborative system to prevent and control disease outbreaks is a regional priority. The region’s rapid development and growth have already taken a toll on the environment and natural resources. Cooperation is key to setting regional standards for the environment, reaching agreements on necessary actions, and monitoring results.

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Ending Asian deprivations will take us beyond 2015

The global development community is beginning to grapple with the issue of what will happen in 2015 – the target year for the Millennium Development Goals (MDGs). As far as Asia is concerned, although much will have been achieved by 2015, much more will remain to be done, and the magnitude of remaining deprivations will be staggering.

Take, for instance, extreme poverty. The United Nations has estimated that by 2015 the average incidence of extreme poverty in Asia and the Pacific will fall to about 20% (far below the target of 27%). However, this will mean that one in five people living in this region will still be in dire poverty, an unacceptably high figure. If those poor living below the $2-per-day threshold are considered, then Asia still will have about 40% or two in five persons living in poverty in its midst. Similarly large numbers will remain deprived in terms of those who are undernourished, those without sanitation, those in poor health, children who are unable to complete primary education, women who die unnecessarily during childbirth, children under age 5 who die each year, and so forth (Figure 16.1).

Thus, the need to end the region’s deprivations must remain at the top of the development agenda beyond 2015. This needs emphasis, because many may be feeling that the battle is already won, with the MDG poverty target achieved and many other targets near achievement, and may be erroneously considering looking for other, more challenging tasks.

Lessons from the Millennium Development Goals

When considering the future, one must look at the lessons of the past. The global effort to achieve the MDGs has thrown much light on what succeeds
and what doesn’t when trying to bring about major changes in global and local priorities.

To begin with, let us consider what the MDGs have achieved. First, they succeeded in getting the global community focused on a set of agreed-upon development priorities. Many have stated that these priorities came about without much consultation. This is partly true. Although a number of discussions after the mid-1990s, such as the 1995 World Summit for Social Development in Copenhagen, which attempted to forge a consensus on social development goals, the extent to which developing countries and other stakeholders were fully involved remains a question and serves as a lesson for the future.

Second, partly as a result of such emphasis, there has been increased international attention, particularly among donors, on removing the basic deprivations faced in the developing world. Although aid flows have concentrated mainly on Africa, there has been increased aid for the MDGs (World Bank 2012). Did the MDGs result in increased domestic focus on removing these critical deprivations? The answer is not an emphatic yes; the results appear to be mixed. Some countries in Asia, such as Indonesia, Mongolia, and the Philippines, did adopt the MDGs wholeheartedly. Others began slowly to pay heed to it, resulting in increased international attention on the MDGs over time. Nonetheless, the 2008 MDG report, which assessed the extent MDGs were reflected in national development plans, found that most countries do not integrate the MDGs within planning and budgeting. For instance, India, where health outcomes are among the poorest in the world, has only recently indicated that much
more resources will be devoted to the health sector in its Twelfth Five-Year Plan (*Hindustan Times* 2012).

Third, although much remains to be done, considerable progress has been made on the MDGs, at least as far as Asia and the Pacific is concerned. This has been indicated in Chapter 1. Poverty and all education indicators will be achieved. Even in the case of the lagging health indicators there has been a 42.9% reduction in child mortality and a 50.8% reduction in maternal mortality. Such progress is, to some extent at least, a result of the MDGs.

Fourth, at the more macroeconomic level, increased attention on social spending and on human development, which the MDGs has encouraged, has helped strengthen the productive potential of economies in the long run.

On the other hand, although the MDGs have had successes, some skeptics have pointed out several weaknesses, relating, first, to the indicator system itself. For instance, some feel that the MDGs are too aggregative in nature, hiding within-country inequalities and variations among subnational administrative categories (such as states or provinces); differences related to gender; differences among privileged and disadvantaged population groups such as indigenous peoples, minorities, or castes facing social discrimination (critical in South Asia); or differences among rural and urban areas.

Another issue is the large numbers of MDG indicators, which makes overall performance on the MDGs somewhat difficult to compare among countries and over time. These may have resulted in attempts to summarize the MDG-type data in terms of composite indexes, such as the United Nations Development Programme’s Multidimensional Poverty Index; however, such indexes suffer from the same criticisms that were leveled against all composite indices, such as the Human Development Index: arbitrary weighting and choice of indicators. A better approach may be to discover associations among groups of indicators and to focus on the major ones. For example, United Nations Secretary General Ban Ki-moon has stated that “investing in women’s and children’s health has a multiplier effect across the MDGs. It is the best investment we can make” (Ban 2010).

Another problem with the indicator set is the quality of MDG data. Social statistics, on which the MDGs rely, suffer from major data gaps and delays in estimates (Chatterjee and Kumar 2010).

A different set of issues concerns critical omissions from the MDGs. One possible risk of specifying a set of international and national priorities is that those who are left out are in danger of being ignored and starved of funds and resources. For example, although the health indicators focus on outcomes such as reduction of child and maternal mortality, the education indicators focus on outputs such as percentage of children enrolled or completing primary education, without emphasizing the very critical issue of education quality. As discussed in Chapter 6, this focus on outputs may have taken attention away from the issue of actually providing good-quality education, and the millions of Asia’s children without proper education represents a major deprived group in Asia.

An associated issue is the omission from the MDGs of critical inputs such as basic infrastructure. It is well established that access to schools, health
personnel, and medical facilities is facilitated by roads (Chatterjee, Moinuddin, and Francisco, unpublished). Roads also provide better access for farmers to markets for their produce and enable other workers to find better paying jobs. Electricity similarly improves the quality of health services, aids in education, and helps to improve the productivity of farms and rural enterprises, thus helping to raise incomes. Without improved household access to roads and electricity, therefore, it would be hard to achieve the MDGs. Because investments in basic infrastructure are substantial, they must be planned and prioritized, and simply ignoring them would omit a critical factor influencing the achievement of the MDGs.

Likewise, effective public services and strengthening voice and participation are key requirements. Simply expanding resources without ensuring that such resources are used efficiently to achieve the MDGs would be wasteful. Many would argue that the issue of governance must be built into the MDG framework.

Another major set of issues concerns the wisdom of setting development priorities at the global level. Regional and national priorities may differ quite widely from global ones. Some flexibility must be built into the system to reflect local priorities. Although too much national specificity may lead to difficulties in monitoring and implementation, there should at least be scope to establish priorities at both the global level – for such issues as climate change, which require international action – and the regional level. If countries are brought into the discussion by regional development agencies, this will more effectively elicit regional opinion, enable a better reflection of regional priorities, and represent the bottom-up approach that many are advocating.

Although these issues concern the MDGs and will need to be discussed when the post-2015 development agenda is considered, a major challenge to the MDGs themselves may have arisen in reaction to emerging environment and climate change issues. Such issues have been getting increased attention from international agencies, and many have begun viewing them as rivaling the MDG agenda, competing for the same scarce pool of development resources. It will serve developing countries and their efforts to eliminate poverty and deprivations much better if the two agendas are merged. Given the importance of the issue, we devote the final section of this chapter to discussing it.

**Environment-related deprivations**

Being deprived of a clean environment is a major deprivation, and improving the environment was recognized as a major MDG; however, Goal 7 addressed too few environment-related issues, representing a major weakness. The MDGs did not, for example, adequately address environment-related human deprivations and so failed to do proper justice to the importance of the environment and climate change to human life, and indeed to determining human existence.

Human activity is harming the environment, beginning to adversely affect the quality of people’s lives, and putting at risk the welfare of future generations. It is therefore essential to establish a set of goals and targets that both better address
the needs of the environment and reduce the social impacts and deprivations arising from environmental issues. However, social outcomes must be carefully considered and accounted for when planning the necessary adjustment of human activities that this will require. There are several ways that environment and social goals may interact with each other.

First, the steady expansion in human activities, resulting partly from the need to provide for a growing population and partly from the need to improve human living conditions, has necessarily drawn on the limited natural resources of the planet, depleting those resources and placing future development and the welfare of future generations at risk. Where nonrenewable resources are involved, this puts at risk the sustainability of continued exploitation of such resources and the expansion of human activities based on them. Although human ingenuity has thus far been able to make increasingly efficient use of such resources and has even found alternatives, these technological advances and other means merely postpone the inevitable slowdown or reversal of environmentally sustainable growth, according to some neo-Malthusians.

The rapid exploitation of the world’s natural resources also has other adverse effects on the world environment, such as global warming. These effects have prompted calls for sustainable development and “green growth.” The issue that has arisen in this context is whether actions to control untrammeled exploitation of natural resources and emerging threats such as global warming will necessarily constrain the rapid growth that developing countries require to achieve better living standards, or can technology prevent the emergence of a major trade-off between social and environment goals. In either case, it is necessary to ensure that social goals such as the MDGs are not adversely affected by the pursuit of an environmental agenda that places restrictions on unsustainable growth. This also provides a powerful illustration of the illogic of pursuing environmental and social goals separately. Instead, an integration of both within a unified, sustainable development framework is required.

Second, some human activities immediately harm the environment and reduce human welfare. The impact of such activities on health and other social outcomes is immediately apparent, and opinion about their control can be generated more easily than opinion about the effects of resource depletion and global warming, which affect future generations. For example, the effect of using polluting fuels such as firewood and coal for domestic cooking is known to be a major cause of respiratory diseases in the third world, and air pollution is estimated to cause nearly 2 million premature deaths in Asia each year, accounting for more than 60% of the world’s deaths related to this cause (Asian Development Bank [ADB] 2008). Many more suffer health problems that affect their productivity.

Air pollution caused by vehicular emissions in cities, and pollution of rivers and water bodies by the discharge of untreated factory and sewage system effluents are major problems related to rapid industrialization and urbanization. Table 16.1 highlights the air quality problem faced by Asian cities. Almost all of the developing cities surveyed exceeded international norms relating to particulate matter in air; almost half exceeded safe levels of sulfur dioxide; and one in five
Table 16.1 Status of ambient air quality in Asian cities (2010)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Particulate matter ($PM_{10}$)</th>
<th>Sulfur dioxide ($SO_2$)</th>
<th>Nitrogen dioxide ($NO_2$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Including developed cities</td>
<td>Developing cities only</td>
<td>Including developed cities</td>
</tr>
<tr>
<td>Number of cities covered</td>
<td>310</td>
<td>251</td>
<td>295</td>
</tr>
<tr>
<td>Average ($\mu g/m^3$, annual)</td>
<td>86.6</td>
<td>98</td>
<td>23.4</td>
</tr>
<tr>
<td>World Health Organization air quality guidelines</td>
<td>20 ($\mu g/m^3$, annual)</td>
<td>20 ($\mu g/m^3$, 24-hr)</td>
<td>40 ($\mu g/m^3$, annual)</td>
</tr>
<tr>
<td>Cities not meeting the World Health Organization air quality guidelines</td>
<td>95%</td>
<td>98%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Clean Air Initiative–Asia Center (2012).

exceeded acceptable standards for nitrogen dioxide. These dangerous pollutants are responsible for a variety of respiratory and cardiac diseases.

But increased rural and agricultural activities are causing problems, too. For example, the water tables of many communities in Asia are falling due to intensive farming and overuse of groundwater resources, and this is affecting agricultural productivity, with adverse consequences for the poor. It has been estimated that the People’s Republic of China lost about $12 billion worth of agricultural produce due to air and water pollution in 2004 (ADB 2008).

Third, the frequency of natural disasters striking human habitations is increasing. For example, Lloyds of London, one of the world’s leading insurers, experienced an unprecedented rise in catastrophe claims in 2011 (Neate 2012), and the Intergovernmental Panel on Climate Change (2001) noted a large number of insurance firm insolvencies in the United States from 1969 to 1988, citing weather as an important contributing factor.

This increase has many causes, both demographic and climate related. With growing populations, human habitations and infrastructure are necessarily spreading into naturally hazardous areas, such as low-lying coastal areas where cyclones and floods cause more damage, hillsides prone to landslides, and farmlands in drier areas that are more prone to drought. Climatologists also claim that the frequency
of natural disasters is increasing as a result of global warming, though this linkage remains contentious, as evidenced by the debate following the Intergovernmental Panel on Climate Change’s (2007) fourth assessment report. Without going into the factors responsible for the increased frequency of natural disasters, it is essential to factor into the future development agenda the increasing impact of such disasters on human welfare, particularly in developing countries, including the large populations in Asia, which otherwise will suffer the worst effects without the resources necessary to protect themselves.

Protection against the increased frequency of natural disasters will involve large developmental outlays. The cost of damage in Asia and the Pacific as a consequence of natural disasters between 1987 and 1996 was estimated at $51 billion (ADB 2002). Disaster relief and rehabilitation after the Pakistan floods of 2010 alone were estimated at $9.7 billion (ADB and World Bank 2010). The earlier 2004 Indian Ocean tsunami, which resulted in a loss of over 110,000 lives in Indonesia, caused damage estimated at $4.45 billion (Consultative Group on Indonesia 2005).

The costs of building embankments to guard against floods are themselves huge. Likewise, the cost of “disaster proofing” roads and railways to strengthen them and increase their height above flood level is also immense. Introducing earthquake-resistant housing and expanding flood, typhoon, and tsunami warning systems are other areas where investments will have to be made. Expansion of irrigation also will be necessary, whether to guard against greater frequency of droughts or as farmland expands into arid areas. At the same time, methods will have to be devised to ensure minimal disruption of basic social services and prevent health epidemics.

**Ending Asian deprivations by 2025: the Asian development agenda**

The first 15 years of this millennium are soon coming to an end, and considerable progress has been made toward ending world poverty but the task is as yet quite unfinished. Asia, with the largest share of the world’s population, bears a disproportionate share of deprived people. It is difficult to envision a prosperous future for Asia without such prosperity being shared fairly and without reducing its deprivations to negligible levels.

To achieve such a future, Asia must grasp the array of instruments at its command. It has the highest economic growth among developing regions. There are many ways in which such growth can become a powerful instrument for bringing about equity and social justice and eliminating the blight of poverty and extreme deprivation. Governments must make vigorous attempts to do so and not let the benefits of growth remain beyond the reach of the poor. The period of high economic growth is not unlimited – it may pass with the end of the demographic

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3 See Intergovernmental Panel on Climate Change (2010) for its clarification on trends in disaster losses.
Asia’s future development agenda

dividend – and Asian governments must use this period to derive the maximum social benefits for their citizens.

Governments themselves also must decisively intervene to ensure that social deprivations are eliminated within a generation. A time horizon of 2025 – a quarter-century into the millennium and 10 years after the period of the MDGs comes to an end – should be a reasonable target year for achieving the desired end to deprivations.

A new set of development goals appropriate to the region must be adopted. Asia’s development context, experience, and processes are quite distinct from that of other regions. Thus, even if an international set of goals is adopted – which is likely, given the need for international action on several development goals, such as global warming – there should be room for Asian specificities. A set of “Asian development goals” also will be better owned and supported by countries of this region, which will have to play a key role – both individually and through regional cooperation – to achieve them. To some extent, this will help solve the problem of determining local priorities for capability expansion. In addition, the developed world outside the region seems to be channeling its attention toward those in more dire straits than Asia; therefore, it is time for Asian countries, given their increasing ability, to join together to resolve their common problems.

Such a set of Asian development goals will build on the MDGs but also will make crucial additions and deletions as needed for this region. To begin with, the goals must include indicators that better reflect inclusive growth. Many crucial areas omitted from the current MDGs also must be included, as discussed. Finally, the goals should include a set of environment-related deprivations, which are becoming increasingly important.

Ending Asian deprivations is going to be a challenge. But when development tasks are looked upon through the lens of the deprived, the correct priorities emerge. Mahatma Gandhi once said, “A nation’s greatness is measured by how it treats its weakest members.” Approaching Asian development from this perspective will make the task easier.

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