

Asian Paths to Poverty Reduction and Inclusive Development

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Summary

1. Asia's impressive poverty reduction in recent years owes much to rapid growth. But the story is uneven: remarkable average growth rates across the region mask significant variation within and between countries, as well as over time. Experience shows that growth alone is not sufficient to ensure sustained poverty reduction, and that rapid growth may itself create threats to social stability and cohesion that can in turn undermine sustainability. Nor does growth guarantee that gains are equitably distributed or that the extreme poor or excluded will benefit.
2. Rapid structural changes across Asia – from predominantly rural and agricultural to urban-based, industrial economies; and from high fertility and young populations to declining fertility with population ageing – together with the increasing risks arising from global market integration, create significant challenges for poor countries, and affect how the benefits and costs of growth are distributed - across geographic space and among different population groups. Governments and donors need to play an active role in smoothing these transitions, addressing short term dislocations, and ensuring the poor have the capacities to share in the benefits.
3. Asian experience highlights the critical role of government in ensuring markets and other institutional arrangements benefit the poor. Key priority areas for fostering pro-poor growth in Asia include increasing productivity in the rural sector, creating gainful employment for the rural and urban poor, and investing in a more skilled and healthy labour force. A major threat to sustainable development in the context of the rapid changes noted above is that growth will be insufficiently labour intensive to create the jobs needed to raise the incomes of the poor.
4. Unequal spatial distributions of growth and development in Asia mean that:
 - Severe or chronic poverty in Asia is predominantly rural with the rural poor located in remote, inaccessible or resource-poor regions where conditions make it difficult for inhabitants to participate in broader economic and social processes.
 - But, the share of urban poor is increasing: most visibly among slum dwellers and migrants inhabiting deprived, overcrowded urban environments lacking basic facilities and infrastructure with, in some cases, 'sub-cultures' of violence, criminality and drugs.
5. Both rural and urban populations in poverty face not only economic or resource deprivation, but also identity based discrimination (for example, on the basis of ethnicity, race, religion, caste, gender, place of origin etc.). These multiple sources of deprivation create deep-rooted social exclusion which cannot be addressed solely through conventional growth or income-poverty reduction programmes. Solutions will need to find pathways to greater participation and inclusion, which may include longer term investments in laws or policies (such as anti-

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discrimination legislation) and stronger representative and rule of law institutions, that are inclusive and accessible to the poor, and that guarantee the rights of participation, and where necessary recourse or redress, for those most likely to be excluded.

6. Spatial inequality and poverty are of concern to policy makers because
 - they affect the maintenance and promotion of national cohesion and social and political stability, and
 - a regional concentration of poverty limits the market for locally produced goods and services, which reduces the potential for sub-national economic growth.
7. Interventions to address concentrations of poverty in 'lagging regions' vary according to particular circumstances, but include:
 - fostering pro-poor sub-national growth through appropriate infrastructure investments: these should create a conducive climate for private sector investment;
 - investments in public goods and infrastructure that benefit the poor (feeder roads, irrigation, health and education facilities);
 - targeted poverty reduction programs and interventions to ensure the poor have access to basic services; and other social protection mechanisms;
 - investment in appropriate technologies to improve the returns to local rural employment and to support rural off-farm employment creation.
8. Strengthening rural-urban linkages will also benefit poor rural areas. This requires appropriate infrastructure investment and support for population mobility. Migration is an important route out of poverty for many people as well as contributing to economic growth: internal migration is particularly important for the poor and low skilled, and creates benefits that are more likely to accrue to poor regions particularly through remittances. Internal migration will inevitably increase and should be facilitated rather than blocked. This can be done by reducing direct costs to migration and of sending remittances, providing information and relevant job training and skills, and reducing discrimination against migrants seeking housing, jobs and other services in urban areas. Similar policies could facilitate mobility on a regional level.
9. Asia has almost half the world's urban population and most of the fastest growing cities: how to provide adequate housing, sanitation and employment is an increasingly urgent concern. Challenges for pro-poor urban development include:
 - Land use: finding a balance between commercial, residential and public land use, in a context of increased competition and rising value of urban land;
 - Housing and infrastructure: ensuring adequate provision of shelter and secure tenure for residents, particularly the low-income workforce; and providing basic infrastructure (e.g. water, sanitation, electricity, drainage, access, transport).
 - Ensuring adequate provision of social services (e.g. health, education, law enforcement) that are affordable and accessible to the poor;
 - Addressing poverty through employment and income generation, and creating conditions for inclusive citizenship and participation in community decision-making.
10. The implementation of policies to meet the challenges highlighted above requires political will to allocate adequate resources and governance capacity to implement policies. Key elements that underpin the capacity to address poverty and promote more equalising or pro-poor growth particularly in 'lagging' regions include:
 - the fiscal system or other mechanisms for resource transfers, and

- the nature of relations between central and local governments, particularly in decentralised systems.

In addition, in many cases the limited capacity of local governments, and the weakness of local accountability mechanisms and citizen participation, reduce programme effectiveness. This may require longer term investments in people (e.g. local government officials), in government systems, and in the capacity of government and independent institutions, particularly those that provide oversight and accountability for ensuring pro-poor policy outcomes.