

REGIONAL DIALOGUE ON

Renewed Policy Action for the Poorest and Hungry in South Asia

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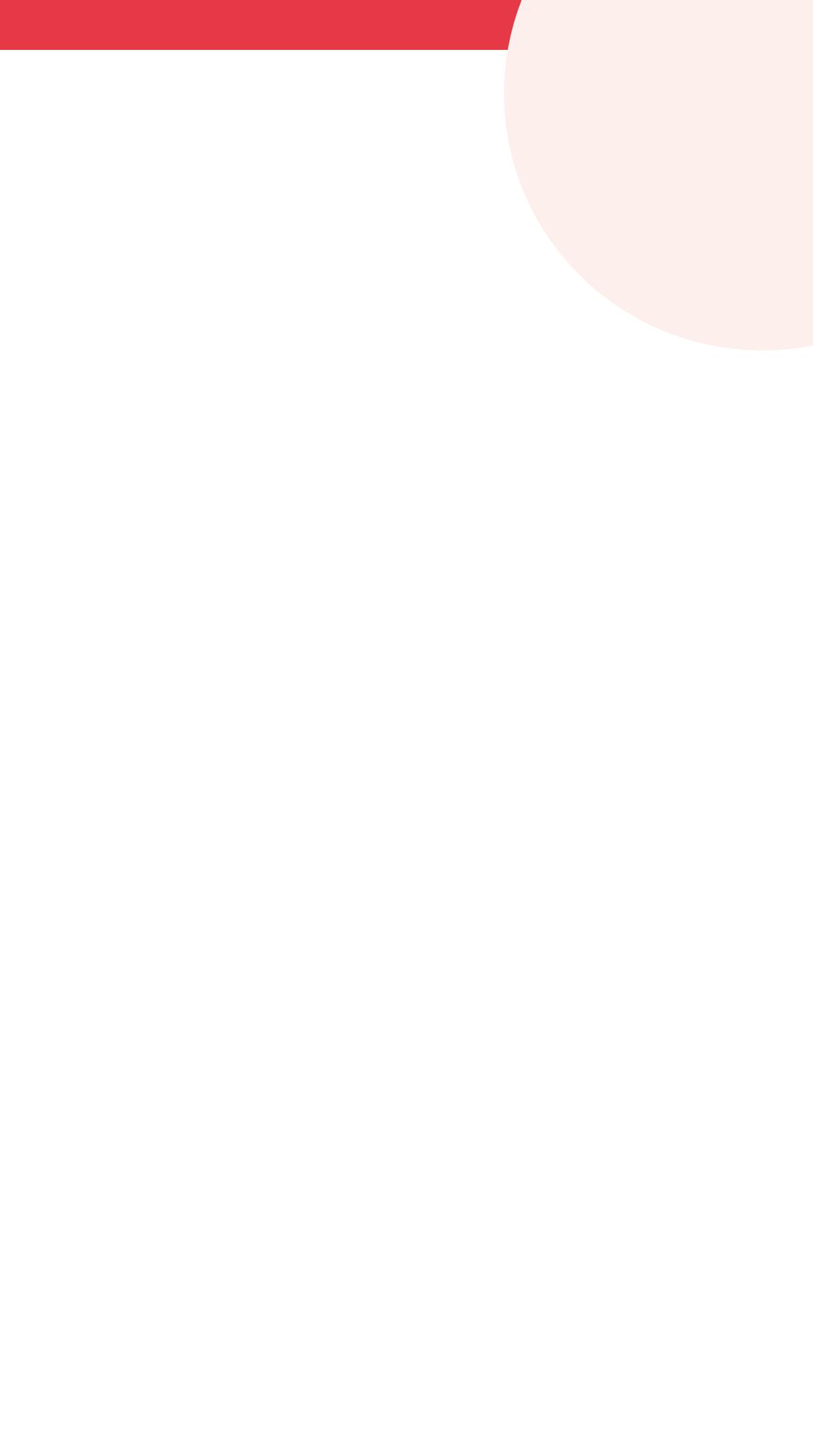
The **Asian Development Bank** (ADB) aims to improve the welfare of the people in the Asia and Pacific region, particularly the nearly 1.9 billion who live on less than \$2 a day. Despite many success stories, the region remains home to two-thirds of the world’s poor. ADB is a multilateral development finance institution owned by 67 members, 48 from the region and 19 from other parts of the globe. ADB’s vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve their quality of life.

ADB’s main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. ADB’s annual lending volume is typically about \$6 billion, with technical assistance usually totaling about \$180 million a year.

ADB’s headquarters is in Manila. It has 26 offices around the world and more than 2,000 employees from over 50 countries.



Despite rapid income growth, South Asia has lagged behind the rest of Asia in reducing poverty and hunger. South Asia accounts for more than two-fifths of the world's poor, and although the region seems on track to meet the first Millennium Development Goal (MDG) of halving poverty and hunger by 2015, it faces challenges in achieving that goal. The International Food Policy Research Institute (IFPRI), with support from the Asian Development Bank (ADB) and the International Fund for Agricultural Development (IFAD), held a regional dialogue of policymakers and researchers, called "Renewed Policy Action for the Poorest and Hungry in South Asia," in New Delhi on December 2, 2008. Following up on the international conference "Taking Action for the World's Poor and Hungry People" held by IFPRI in 2007 in Beijing, participants in this regional dialogue discussed two key issues: (1) how to secure inclusive income growth and (2) how to enhance the human capabilities of the poorest people. Participants shared experiences and debated how to replicate and scale up successful experiments as well as how to move from research to action and from policy to implementation.

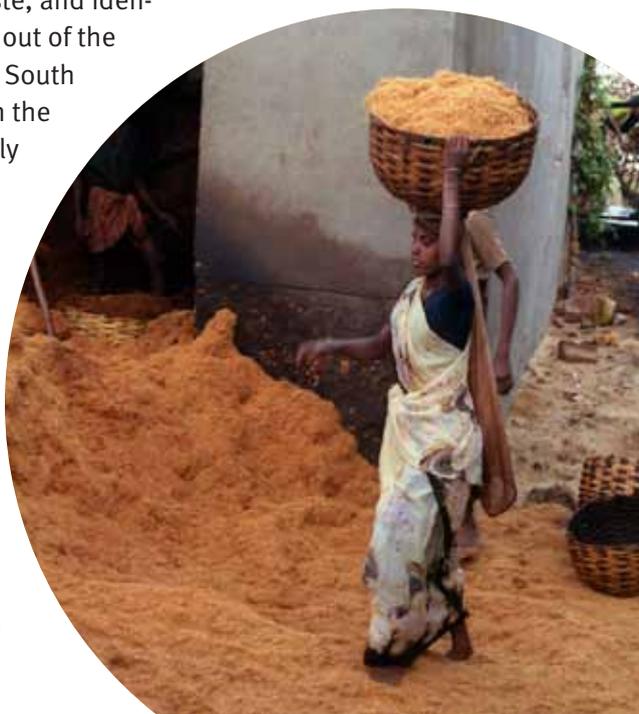


Challenges in Taking Policy Action for the Poorest and Hungry in South Asia

Since 1990—the base year for the MDGs—Asia has experienced dramatic growth and economic transformation, helping more than 500 million people move out of poverty. Within Asia, however, South Asia has lagged behind, reducing poverty much more slowly than the rest of the region. In 1990, China accounted for 38 percent of the world's poor, India, 24 percent, and the rest of South Asia, 8 percent (using the World Bank definition of the poor as those who live on less than \$1.25 per day per person, measured at the 2005 purchasing power parity exchange rates for consumption). By 2005, China had cut its share to 15 percent and South Asia's share had risen to 43 percent. The biggest country in South Asia—India—is still home to about one-third of the world's poor.

More worryingly, poverty, regional disparities, hunger, and malnutrition remain entrenched in parts of South Asia. Those who have benefited the most from the region's growth are those who are closest to the poverty line, whereas the poorest have been left behind. In India, for instance, three states account for half of the poverty. One of these, Madhya Pradesh, has also the worst hunger level. Except for Sri Lanka, all countries in the region have severe stunting and underweight problems among children under age five. India has one of the highest rates of child malnutrition in the world—45 percent of children under five are underweight, and this number has not changed in seven years despite average annual economic growth of almost 9 percent. Gender, caste, and identity groups, in particular, have been left out of the growth process. The status of women in South Asia continues to be among the worst in the world, and this situation has significantly contributed to poor education, health, and nutrition conditions.

At the same time, new challenges have emerged in the region, complicating efforts to reduce poverty and inducing shocks that are pushing people into poverty. These challenges include environmental,



For more information on the 2008 regional dialogue in New Delhi, go to www.ifpri.org/2020chinaconference/20081202NewDelhi.asp. For more information on the 2007 conference in Beijing, go to www.ifpri.org/2020chinaconference/index.htm.

social, and economic factors such as environmental degradation, declining soil productivity, migration pressure on cities, rising urban poverty, and high prices for food and other commodities. They also include sociopolitical factors such as breakdown of rural communities, struggles over rights of natural resource extraction, communal turmoil, and terrorism. Bangladesh has experienced disastrous effects from climate change, and Nepal, Pakistan, India, and Sri Lanka have seen spikes in political violence and militancy.

All these factors necessitate renewed and focused policy efforts to reach the poorest and hungry in South Asia. Without such efforts, South Asia may fail to meet the first MDG and to alleviate the suffering of millions of poor and hungry people. Governments and civil society, as well as policy researchers, should therefore concentrate on

- generating inclusive income growth by expanding economic sectors that attract greater participation by the poor and by directing public investments to lagging regions where the great majority of the poor live;
- enhancing human capabilities through renewed education, health, nutrition, and social protection policies; and
- strengthening the implementation capacities of both government and nongovernmental agencies.



Inclusive Income Growth

The *World Development Report 2008* shows that growth in agriculture is two to four times more poverty alleviating than growth in other sectors. Both China and India offer concrete evidence of this finding. China reduced poverty from 30 percent to 15 percent in the first six years of its economic liberalization, which began with a comprehensive agricultural policy reform package. In India, poverty reduction has faithfully coincided with periods of high agricultural growth and stagnated whenever the average agricultural growth rate has declined.

In South Asia, where the majority of the population still makes a living in the rural economy, generating inclusive growth will generally involve accelerating rural development and agricultural growth and will require increased investments in infrastructure, technology, education, and health. Governments must find a way to ensure minimum incomes for the poorest people to overcome their persistent poverty and hunger.

Governance and administrative malfunctioning in the case of social welfare programs in South Asia need special attention. Sri Lanka, for instance, achieved many of the MDGs using universal subsidies and welfare schemes, but, with these scaled down, it is now grappling with rising gender and regional inequalities and undernutrition. In Bangladesh, where half of the population lives below the \$1.25-a-day poverty line, most public welfare programs fail to reach the poorest of the poor and have been beset by leakage and elite capture. Even the existence of 60,000 civil society organizations and the well-known microfinance programs have not been able to significantly change the lives of the bottom 10–20 percent of the population. India's central and state governments spend about US\$25 billion on social sector schemes, apart from direct subsidies, but their impact on poverty reduction remains unclear.

The general failure of social programs has contributed to increased inequalities in the region, group violence, and rising law and order problems. Poverty is increasingly concentrated in remote and lagging regions and among minorities or otherwise marginalized groups. Rural-urban migration has increased, increasing urban poverty and intensifying pressure on cities to supply basic services to the rapidly growing urban population. Indeed, the poor are urbanizing faster than the population as a whole. In six Indian states, for instance, urban poverty is now higher than rural. These factors underscore the urgent need for proportionate urban-focused policies



as well as governance measures.

Income Guarantees

Taking a bottom-up instead of a top-down approach to poverty alleviation policy could radically change the way countries attack income poverty. India, for instance, is moving toward rights-

based income- and capability-generating programs that are self-targeting instead of welfare programs

that are open to elite capture. The National Rural Employment Guarantee Act (NREGA),

launched in 2006 to help alleviate poverty in rural areas, has generated a widespread positive response. The NREGA gives every rural household the right to 100 days of employment a year in labor-intensive public works projects. The scheme is implemented through the *panchayats* or local village governments and nongovernmental organizations (NGOs) and is subject to periodic social audits. It has raised consciousness among rural people of their right to demand work or, in its absence, compensation, and also creates a multiplier effect through public work initiatives such as watershed programs or rural road building. On the other hand, NREGA's two years of operation have revealed significant gaps in capacity-building and administrative infrastructure. Public work projects remain underdeveloped, and there is reluctance among state and local bureaucracy to acknowledge the rights of the people. Performance has varied among states, and there have been charges of corruption and elite capture.

Migration and Remittances

In recent times, international migration and remittance have played a significant role in alleviating poverty in South Asia. In contrast to the brain drain of the past, migration now consists mainly of unskilled or semi-skilled workers, many of them women, whose temporary departure improves local employment opportunities for those who stay behind. It also increases the purchasing power of remittance receivers, promoting investment in land and other assets in the home country and contributes to improvements in the skills and knowledge of migrants, many of whom eventually return.

Among South Asian countries, India earns the most remittances and was set to receive US\$30 billion in 2008. Bangladesh earned close to US\$6 billion in 2007. In Nepal, remittances helped bring down the total number of poor by 6 percentage points between 1994 and 2004 despite widespread insurgency and violence. Officially, Nepal earned US\$1.5 billion in remittances in 2005–06 and sent out 200,000 migrants in 2006–07, but given the country's open border with India, these numbers are greatly understated. The full impact of migration is still not quantified in these countries because data are scarce and because intraregional migration is either illegal or not well recorded.

Yet migration can be costly for participants, who have to pay as much as \$3,000 per person, which is equivalent to, for instance, eight times the average per capita income of Bangladesh. Other barriers to migration are lack of information on opportunities, the threat of fraud, and lack of primary skills among poor potential migrants. Countries could reap greater benefits from such migration by improving laws and policies and spreading education and information to poorer areas. Concerted private-public and civil society partnerships are also needed to extend smooth, efficient, and convenient money transfer and savings facilities in remote regions.



Enhancing Human Capabilities

In South Asia, poor rural households need not only nonfarm rural employment opportunities, but also better access to value chains for marketing their produce. They need knowledge and information to improve their livelihood capabilities as well as saving and credit services that enable them to invest in assets and skill acquisition. Access to these financial services also improves the capacity of the poor to tackle disasters when they arise. To meet these various needs, countries must invest in social and economic infrastructure, especially in traditionally neglected rural areas.

Social infrastructure is inextricably linked with economic infrastructure. For example, a safe and assured water supply is essential to maternal and child health care. In many parts of South Asia, however, such infrastructure is routinely absent in the areas where the poorest live. Even when the infrastructure does exist, the poorest often have no easy access to it. Governments must therefore help improve capabilities by including social infrastructure in their social protection policies.

Education, Health, and Nutrition

Social protection policies involve direct intervention not only to mitigate the impact of adverse shocks to the poorest people, but also to reduce their vulnerability to shocks and prevent people from slipping into deeper poverty. South Asian countries could learn from Latin America's successful models of government-led social protection programs with strong monitoring mechanisms. These models include conditional cash transfer programs in health and education, food stamps, and old-age pensions. Research in Bangladesh has shown that after age eight, school enrollment declines, especially among boys, and incidence of child labor increases. In such contexts, conditional cash and food transfers programs have increased school enrollment by as much as 19 percent and, at the secondary level, achieved better results for girls than for boys.

Although social programs abound in South Asia, in practice they reach only a small proportion of the poorest. Social protection programs in the region generally suffer from under-coverage, wrong coverage, and poor monitoring and evaluation, resulting in a lack of information on how well these programs are working. Bangladesh has made significant and creditable efforts in improving girls' education through its stipend programs and in strengthening women's status through microcredit. But nutrition programs reach only one-fourth of the country's districts and target only the

severely malnourished. In India, the Integrated Child Development Scheme is widely regarded as ineffective, but midday meal provision in schools has succeeded in some states as an education-incentive program. None of the nutrition and child health programs in South Asia involve preventive care, which is more cost-effective than curative care in improving human capital.

Targeting and Social Mobilization

Sri Lanka's core system of widespread social assistance is the Samurdhi program, comprising (1) cash transfers, (2) savings and credit through Samurdhi banks, and (3) workfare programs to develop community infrastructure. The absence of explicit selection criteria, however, means that services suffer from poor targeting and elite capture: transfers reach 38 percent of the population, far in excess of the 15 percent who are actually poor.

What can minimize targeting errors? BRAC, Bangladesh's biggest NGO, has a program called Targeting the Ultra Poor that relies heavily on local knowledge to identify the poorest areas and the poorest living in these areas. Community members in each selected community take responsibility for ranking households based on wealth levels, and households ranked as the poorest are considered "community-defined ultra poor." This process makes targeting more accurate and transparent. Additionally, community participation promotes local ownership of the program, reduces conflict over resources, and helps engage local elites in supporting the beneficiaries. Another initiative, which a consortium of organizations launched in six ultra-poor districts in northern Bangladesh, began with research on and consultations with the very people whose lives it aimed to change. It also mobilized people to demand basic services that are absent, such as job opportunities, power supply, and flood control measures. Such policies that center on the poor can also help create social and political capital and networks for the poorest.

Another successful example of people power and social mobilization to reduce poverty is the work of the Society for Elimination of Rural Poverty (SERP) in the Indian state of Andhra Pradesh. As a 12-year experiment spearheaded by the state government but unaffected by political power transfers during that period, SERP has organized 90 percent of the rural poor, mostly women, into self-help groups to build strong institutions for sustainable development and food security.

SERP also uses participatory targeting and the poor devise end-to-end strategic plans in which they are involved at all stages, supported by government policies like interest subsidies for loans and strong land rights. The success of this model has prompted India's Planning Commission to prescribe it to other states.



From Policy to Implementation

One of the main challenges in the developing world concerns translation of key ideas into sound policies and scaling up based on successful, innovative experiments. The varying degrees of success of programs in South Asia show that scalability or replication is still elusive. Also, implementation remains the weakest part of the policy chain. Still, experiences in South Asia reveal some critical factors in achieving policy success:

- **Improve awareness of rights:** By creating awareness among the poor of their entitlements and of the power to penalize governments and local bureaucracy, the rights approach can empower the poor and generate the conditions of inclusive growth.
- **Involve the poor themselves:** Building community organizations and political institutions for and with the poorest is necessary to help them gain access to their entitlements. Inclusive income and growth policies must include the point of view of the poor, place them at the center of the policy, and build on their capabilities. Putting people at the center not only creates local ownership of the program and reduces conflicts related to resource distribution, but also can attract the support of the local political elite.
- **Ease migration and remittance processes:** The role of remittances as a significant poverty-alleviating factor needs more recognition from researchers and policy-makers alike. Making it easier for the poorest people to migrate to other emerging global markets could alleviate pressure on South Asian cities, where poverty and associated civic problems are increasing. Packaging remittance transfer services with other financial services such as savings services can improve the utility of remittances to receivers and bolster domestic investment.
- **Reexamine policies and programs for effectiveness:** South Asian countries should critically reexamine existing transfer programs and discard those that are not working in favor of more effective approaches. On average, South Asian governments spend 0.5–5 percent of their gross domestic product on social security programs but not enough on schools and health centers.

- **Monitor and evaluate:** All programs must have built-in mechanisms for monitoring and evaluation. Some 5–7 percent of the program funds can be earmarked for such evaluation, which will ensure timely learning, prompt remedial actions, and minimize waste.

South Asia's experience with inclusive programs, although nascent, raises hopes of a better deal for the poor. Yet the challenging global economic conditions make it imperative for governments and researchers alike to focus on the excluded groups—the disabled, the AIDS-affected, the social outcasts, and girls and women—among whom poverty and hunger reduction have been the slowest and will continue to be so if business is conducted as usual. Improving food insecurity and reducing poverty among these most-affected groups will require a stronger information base and more informed and effective local administration. This is where researchers and civil society alike can contribute.

To take the greatest advantage of globalization, countries must seriously consider the long-term negative effects of poverty and hunger on the health and education of future generations of workers and find ways to tackle them fast. This effort will require more resources and investment, as well as exchanges of learning experiences both within and outside the region to identify approaches and initiatives that have the greatest potential to reduce poverty rapidly.



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