Addressing Poverty: Alternative Economic Approaches

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I'd like to begin on a positive note. Over the past 20 years more than 500 million people in the Asia-Pacific region have been lifted out of poverty, that is, 500 million more people now live on more than $1 a day. That is a remarkable achievement in just a couple of decades and it is extremely encouraging.

But that still leaves 700 million people in the Asia-Pacific living on less than $1 a day and 1.9 billion people on less than $2 a day. There are many in the aid community who think that just throwing money at extreme poverty will fix the problem. And some of these commentators, frankly, should know better. I wish it was that simple.

Money helps of course. That is why Australia is increasing its aid budget to $4 billion by 2010. But poverty reduction needs to be underpinned by something much more durable. To the Australian Government that 'something' is economic growth.

Over recent years, the term 'pro-poor growth' has gained enormous credibility in international development thinking. Even if there is no agreed definition for the term, there is broad support for the principle. The real value of the concept is that it symbolises a great convergence of thinking on how we should tackle poverty reduction.

Unlike in previous decades, there is no longer a debate over whether we should pursue a pro-growth or an anti-poverty strategy. It is now broadly accepted that in poor countries, economic growth is a key driver for long-term poverty reduction. The important question now, is: what kind of growth is required to reduce poverty in the quickest and most sustainable way? And that, I hope, will be the main theme for your discussions over the coming days.

The Australian Government believes that for economic growth to have the maximum impact on poverty it should be employment intensive, broad based and encompass regions that are currently lagging. The White Paper on Australian aid which was released earlier this year, and the Pacific 2020 Report, provides us with some very clear signposts as to how we might do this.

White Paper and Pacific 2020

Economic growth is essential not only to increase the incomes of those living in poverty but also to provide governments with the resources necessary to deliver basic services. We only have to look to China, Vietnam and India to see how sustained economic growth can massively reduce poverty.

Australia understands that private sector development is essential to growth. Under the strategic direction set by the White Paper, Australia's aid programme will support reforms in our partner countries that encourage private sector development.

At present, some of the constraints to development are

- low standards of governance;
- poor infrastructure;
- weak or unclear rules on land ownership and use;
- low levels of education and skills; and
- poor access to new technologies and to markets for small rural producers.
While the incidence of absolute poverty is greater in most of Asia, we must not dismiss the fact that the Pacific faces particular challenges in achieving sustainable growth and reducing poverty. With few exceptions most Pacific countries recorded slow or negative growth in real per capita incomes between 1990 and 2004. Accordingly, there is a very real need for faster rates of economic growth in the Pacific to reduce unemployment and poverty and to provide the resources to deal with other challenges.

Australia holds this view, but so do many others. This was emphasised clearly in the Pacific 2020 report earlier this year. The 2020 report was the outcome of detailed consultations in the region involving governments, the private sector, civil society and academia. 2020 acknowledges that although the region faces some natural disadvantages, such as remoteness, for example, it is still able to do better. It need not languish. There is plenty of scope for improvement. But it will take political will and improved governance.

**Governance**

The aid programme has learnt over its many years that without good governance it is much harder to make lasting gains in social and economic development. In just about every country that has high levels of poverty we see low standards of governance. Basic service delivery is poor, accountability standards are low, rule of law is vulnerable and political stability uncertain. Where governance fails, corruption becomes a part of everyday life. Corruption and poor governance are huge threats to pro-poor growth.

Helping countries reduce corruption will restore people’s confidence in their governments. Working with partner countries to improve regulatory environments will make investment more attractive, and improve infrastructure and service delivery. Measures like these reassure people that they can build a future for themselves and their families.

One of the most impressive things about the White Paper is its pragmatism. It recognises that while reforms in governance are essential they take time. We do not expect change to happen overnight. Growth on the other hand cannot wait. It is needed now. Australia therefore takes a balanced approach that promotes incremental improvements in governance but also makes the investments and assists in the reforms that will promote growth in the short and long term.

**Infrastructure**

Poor infrastructure is one of the biggest constraints to growth and poverty reduction throughout the Asia-Pacific region. Developing countries in the Asia Pacific currently need more than $270 billion each year for the next five years in infrastructure investment. And well targeted infrastructure can make a very big difference.

Take Vietnam — the construction of the My Thuan Bridge across the Mekong, which was largely funded by Australia, led to the creation of 30,000 jobs in the first few years. It expanded trade. It enabled people to travel faster and further. But not everything has to be on such a grand scale. A small feeder road to a highway may require little in the way of resources but it can still make a big and welcome difference to people’s lives.

The Australian Government believes in investing in infrastructure and we have established an $800 million Infrastructure for Growth Initiative to finance high priority projects in partnership with multilateral banks. At the same time we will help partner countries improve their infrastructure policies. Typical projects might include roads in rural areas, water and sanitation and solid waste management.

**Land use**

Land use is a complex issue for most developing countries and the Pacific is no exception. Opinions differ on its significance as a constraint to growth. However, there is an increasing demand within Pacific communities for more clarity in relation to land access. There is also a widely held view that strengthening land tenure and administration systems is important to improving social and economic development prospects of Pacific island communities. To that end we are initiating a Pacific Land Programme to survey and disseminate innovative land use practices — supporting reforms that take place within the framework of customary ownership.

**Education**

Education is central to reducing poverty, especially for women. As mentioned in the White Paper new funding will be devoted to strengthening national education systems to get more children into school for longer and for a better quality education. In line with the Government’s commitment to gender equity, girls’ education will be given particular attention.

Better and broader education at all levels will contribute to higher average incomes in the Pacific. And of course competitive workforces are a key driver of growth. We anticipate that the Australia-Pacific Technical College, which will open training centres in several Pacific countries next year, will play an important role in establishing such a competitive workforce. This is an excellent opportunity for young people to expand the economic bases of their countries and will give them the mobility to work within and outside the Pacific.

**Rural and private sector development**

In the Asia Pacific and globally, the majority of the poor live in rural areas. The economic vulnerability of this group is often disproportionately high compared with other groups.
I am pleased to say that over the years Australia has emerged as a leader in agricultural research and a prominent force in regional research collaboration. And our efforts are paying dividends.

Food security is improving and opportunities for income generation are growing. For instance, in East Timor it is said, sadly I might add, that there are three seasons, the wet season, the dry season and the hungry season. But there is some positive news. Our Seeds of Life project in East Timor has successfully introduced new varieties of familiar crops to farmers to increase food production. I am pleased to say that some farmers taking part in trials have reported doubling their harvests.

For a poor country with a rapidly growing population this is good news. In Cambodia, Australian research has led to about 80,000 poor farmers reaping higher yields from new varieties of high quality rice seed. And in the Solomon Islands Australia is funding a portfolio of rural development activities to make the agricultural sector more viable and more valuable.

Australian aid generally supports a range of measures to improve the environment for private sector growth, both directly and through our partners in the development banks. For more than a decade we have provided funds to the International Finance Corporation helping improve the business environment for small and medium sized enterprises in the Pacific through targeted programmes.

We contribute to the Asian Development Bank’s work in the Pacific and East Timor to help governments with public enterprise reform, financial reform and improving business laws and regulation. And we work with the development banks in Asia to make the private sector stronger — to improve its managerial capacity and make businesses more sustainable.

And then there are our business volunteers. Over the past 25 years, the aid programme has placed more than 3,000 business volunteers in countries in the Asia Pacific region. These volunteers have willingly passed on their knowledge to counterparts who often have the will but not always the skills or means to run a successful business. Our volunteers have given up their time to be mentors and to give others that extra help and encouragement that can make the world of difference between persevering and giving up. They have been great ambassadors for Australia’s business sector, and I want to put on record my admiration for the work they do.

**Conclusion**

Ladies and gentlemen, there is no magic formula to reducing poverty. There are no easy answers. But economic growth, more than anything else, has the potential to relieve people of the daily grind of poverty, to give them a better future. The discussions over the next couple of days as to how we best go about this will be instructive for us all. I wish you well with this conference. Thank you.

We also need to remind people that gender equality is a fundamental human right. And that people understand that gender issues are an important factor in promoting economic growth and reducing poverty. Quite simply, at the end of the day, it is about people, ensuring everyone — men, women and children — are given ‘a fair go’ regardless of their gender. A forum such as this is a great opportunity to discuss these issues.

**References**


Addressing poverty: Alternative economic approaches

Pamela Thomas, Development Studies Network, Australian National University

Introduction
After 45 years of poverty reduction programmes and extensive social and economic research, poverty reduction remains the critical development issue in Asia Pacific and at the heart of the development debate. For many years, economic growth has been the major strategy for addressing poverty but, as the following papers outline, sustainable poverty reduction among the very poor remains elusive. A range of innovative economic strategies that address the specific needs of the poor are needed if chronic and entrenched poverty is to be reduced on a sustainable basis.

The papers in this issue provide results from research into a variety of new and innovative economic models implemented in Asian and Pacific island countries, and challenge the existing economic orthodoxy that national economic growth is the answer to reducing poverty. They point to the need for sharply focused strategies, linkages and policies that are pro-poor in their focus and include access for the poor to financial services.

The key themes are the need for small, poverty reduction programmes tailored to the specific needs of communities; a more community-based focus on poverty reduction; the provision of greater opportunities for the poor to access financial services; a greater consideration for improving livelihoods rather than focusing on increasing cash income; greater recognition of the need for approaches that do not put people's livelihoods in jeopardy; and the need to recognise what is feasible and what is not and to acknowledge that in some regions poverty cannot be alleviated. The papers here highlight the need for new and more inclusive economic policies that specifically address the needs of the poor and incorporate the role of the private sector in poverty reduction.

A common thread running through this issue of Development Bulletin is the way in which corruption (at government and household levels) and inappropriately focused and implemented strategies seriously reduce the opportunity for improving the lives of the very poor.

Government and community approaches to addressing poverty
In Indonesia, the Government sought to address poverty by providing a 'social safety net' through three very large social protection programmes. The first provided unconditional cash transfers to poor households to assist with the cost of food, health services and education; the second sought to provide school assistance; and the third to provide support for community-driven development. In a review of an earlier social safety net programme, Sumarto and Suryadarma found that an average of 35 per cent of programme benefits went to non-poor households and that this rose to 70 per cent in a subsidised rice programme. The unconditional cash transfer programme, which began late 2005, benefited 15 million households through quarterly payments of around $A43. As with the earlier programme, inadequate targeting resulted in leakage and under coverage. The school operational assistance programme — which provided free education for 40 million students as well as funds for teachers, equipment and materials — had limited impact on the dropout rate of poor students; what is more, the poor students were given no additional assistance to facilitate their schooling. Sumarto and Suryadarma's review of the community project found that local bureaucracies dominated community meetings and captured the infrastructure projects. The poor had less than adequate access to rotating credit and those who did receive credit were not given technical assistance. The key lessons from this research were: involve the community not the bureaucracy in targeting the poor; make the duties of each ministry explicit; and in countries with decentralised administrative systems, government should refrain from implementing large-scale programmes — let local governments decide on the best programmes for their residents.

While on a very much smaller scale, in Fiji, Kaitani found similar problems with the Fiji Government's approach to addressing poverty. Poverty is increasing in Fiji and there are considerable differences between urban and rural areas and ethnic groups. As in Indonesia, the Fiji Government introduced free tuition from class 1 to form 6 as well as grants for school buildings and committees and tertiary scholarships, but with no special provisions for the very poor. As a result, free tuition did not assist the poor as they could not meet the other fees that schools charge. In the Government programme to assist poor Indian farmers forced off sugarcane farms when their leases expired (by providing small plots of land for root crop and vegetable farming), the public administrators failed to recognise that the plots were too small and farmers were not experienced in growing and marketing root crops. Most became urban squatters joining those below the poverty line. Kaitani concludes that 'ethnic-based programmes have not been a success as they have mostly given advantage to rich...
indigenous individuals … and, there is no monitoring or any of the Government programmes as they have no systems to allow this.’

In their discussion of two successful, NGO-supported, community-based, cooperative microcredit programmes in Indonesia, McWilliam, Robinson and Curnow found that both projects were specifically designed to assist marginal and vulnerable households to participate in the market economy and to build household self-reliance. The programmes included a stepped loan approach with a phased programme of borrowing as households gain confidence and can demonstrate their skills in managing small-scale community enterprises. NGOs as financial managers of the process ensure compliance and provide continuing advice. They conclude that this model has advantages for poor people excluded from commercial banking, but that it also has its limitations.

The impact of decentralisation on the economy and poverty reduction is increasingly an issue in China, where, as Price points out, ‘the distance from the top to the bottom of the long chain of command in China … means a high degree of autonomy’. Local pressures may actually resist state-level policy and regulation in a phenomenon of policies from above, counter-measures from below. Managing the market in the context of growing decentralisation poses significant challenges if benefits are to be shared equitably.

Decentralisation in the Philippines poses difficulties for local governments to access government or donor funding for programmes that would assist the poor. McKay, Cahill and Gibson review a community economies approach to local development in the Philippines which increased local economic diversity and community resilience without requiring outside resources. They find that an important key to successful and sustainable community programmes is supporting activities that fit in with existing economic practices and logics, and that encouraging group enterprise, rather than individual and household entrepreneurship, allow people to negotiate their continued participation in the social networks that build community resilience.

In the Pacific island countries, a community-focused approach that incorporates community values and customs is found by World Vision to be a critical factor in the success of their poverty reduction programmes. In his paper, Fox calls for greater understanding of people’s responses to rapid change and instability, a circumstance now common in the Pacific. He also reminds us that conventional understandings of poverty are not helpful in most Pacific situations where very few poor people believe they are poor. He stresses the need to focus on poverty of opportunity rather than a definition of poverty based on cash income.

**Poverty of policy and the very poor**

Altman discusses the implications of Australia’s current policies for Indigenous Australians and suggests that it is likely to exacerbate rather than alleviate poverty. Australia, he suggests, is looking to export a branch of development thinking that is focused only on the free market. Such an approach is not working in remote Indigenous Australia. Forty per cent of the Indigenous population already lives below the Australian poverty line and exhibits characteristics similar to those in the poorer developing countries. Current policies that focus on pro-economic growth and assimilation rather than on self-determination and self-management are disastrous. Altman suggests a hybrid economy model made up of economic activity in three sectors — the customary (non market) economy based on traditional hunting, gathering, fishing; the public economy (welfare); and the private/public (market) economy based on art sales and sale of traditional crafts. Greater recognition needs to be given to the fact that the Indigenous estate includes some of the most biodiverse land in Australia including the most intact and nationally important wetlands, riparian zones, forests and rivers. There is great opportunity for customary and community-based environmental management of these lands and for this to be included within the hybrid economy model.

Greater consideration is now given to economic and poverty reduction policy in Australia than in the past. The Australian Government’s White Paper on Aid places considerable importance on the policy environment and on policy development in the region. Young discusses policy processes and the difficulties of developing policy that reflects research results or the real world. Policy makers, he states, are too busy to read research reports; there are many often opposing stakeholders; there are many political considerations; and researchers and policy makers often have different views on what constitutes good evidence. His advice to researchers or research organisations who would like their work to be useful in policy formulation is to identify the key issues, to identify who they need to influence, and identify how to move forward using these mechanisms.

Kilby discusses the White Paper and suggests that what is missing from it and the associated Core Group Recommendations is a broad analysis of the drivers of poverty in Asian and Pacific countries and the associated changes in poverty profiles in the key countries that the aid programme should focus on. Although the Core Group notes inequalities within borders, and that economic growth has brought sharp rises in inequality, the White Paper is more concerned with increases in aggregate growth.

**Financial inclusion and economic opportunity for the poor**

Currently, one of the most widespread strategies for increasing the economic situation of the poor is through community-based microfinance and microcredit schemes. The Grameen Bank model...
of microfinance has been adapted in many countries to suit local conditions and requirements, and is continually being adapted to meet changing needs. In the past, it focused on providing working capital to people to generate income through small businesses. Today it includes delivery of financial services to poor households so they can manage their finances more effectively, so the current imperatives within the sector are ‘outreach’ and ‘sustainability’. Mathison outlines current initiatives in the use of mobile computing in microfinance programmes and the opportunities that computers and e-banking provide for reaching the poor with financial services. EFTPOS, palm top computers, mobile phones, ATMs and card services now allow rural business people to access urban financial services. Sibley outlines the role of financial literacy and financial competence in poverty reduction and in particular the ways in which differing attitudes to money can influence opportunities to increase cash incomes and to engage in the cash economy. Sibley uses a case study of the role the ANZ Bank has played in providing banking facilities to remote rural communities in Fiji. To counter the rapid withdrawal of banking services from rural Fiji, the ANZ Bank, working with UNDP, introduced a financial literacy training programme undertaken in villages to suit the rhythm of rural life, and offered two banking services — both savings accounts with passbooks that are manually updated. Individual micro loans are offered and dedicated bank staff provide frontline services and back office coordination. This has achieved significant results. In the first 12 months, 40,000 new deposit accounts were opened and the service has provided outreach to an estimated 350,000 people who previously did not have a convenient and secure way of managing money.

It is often assumed by those in industrial countries that business opportunities for local people, such as those offered by the Porgera mine in Papua New Guinea (PNG), would lead to sustainable business ventures, increased local business skills and increased local investment. Banks explores what actually happened in the ten years since the opening of the Porgera mine and how local people used the many business opportunities. He concluded that bisnis is not business, and the bulk of earnings from any kind of business was not regarded as a source of capital accumulation but is consumed. Although contracts were offered to local people, they quickly recognised that fulfilling contracts required time, discipline and effort. Few local contractors had the skills or inclination to work this way. Rather than building sustainable business ventures, the Porgerans leased out their contracts to non-locals and became rent extractors. Banks concludes that Porgerans get into business primarily to serve their local, socio-political agendas and, from this perspective, local bisnis is less adaptation or accommodation with Western-style economic systems, tools and structures, and more outright co-option of these practices.

Economic and poverty reduction models seldom consider that there are geographic areas where poverty reduction and successful involvement in the cash economy are not possible — where there are severe environmental barriers to development. Through a longitudinal study of PNG that maps poverty as well as the areas with the greatest environmental constraints, the least developed and most disadvantaged districts — where access to education, health and other services are poor or non existent, where agricultural pressure is highest, infant mortality and maternal mortality highest, and where malnutrition is most serious — Allen and Bourke have shown that poverty in some areas of PNG is entrenched and that the poorest people live where there are multiple disadvantages. Yet among economists and development planners, there remains considerable optimism over the country’s natural resources to drive economic development.

Allen and Bourke’s premise that environmental factors have a strong influence on development is supported by Manoka’s research which was conducted in a small coastal community where overfishing and declining coastal and marine resources, together with growing environmental waste problems, are associated with increasing poverty. The community of Barakau is now attempting to put into place a marine protected zone, regulations that might help control overfishing, use of dynamite and fish poison, and safe disposal of waste. Disasters can sometimes provide opportunities that previously did not exist. Shaw outlines the impact of the tsunami on a coastal town in Sri Lanka and the opportunities that now exist for women’s enterprises if conservative approaches to development and their wish to restore the pre-tsunami economic activities can be overcome and new approaches taken.

Across both Asia and the Pacific a developmental problem is the very large number of young people and the shortage of employment opportunities. Poor education and very limited opportunities on the land can result in explosive situations and increased conflict. Curtain reviews the situation in Timor-Leste and the need for special initiatives to promote rural livelihoods for young people. Tourism can also be seen as a way of employing local young people and of providing sustained economic opportunities for rural communities. Levantis considers the role of tourism in pro-poor growth in the Pacific and suggests it be given higher priority in government policy.

Conclusion

The conclusion that could be drawn from these papers is that while there may be quite rapid economic growth in some countries in the region and some people are being lifted out of poverty, sustainable poverty reduction is more difficult to achieve, and economic growth is being accompanied by increasingly rapid urban and rural inequalities within communities, within countries and within the region.
While some of the papers consider more conventional poverty reduction strategies, the overall emphasis is on the need for smaller, much more clearly focused poverty reduction programmes that are designed around specific situations and specific needs. What is also highlighted is the importance of community-based initiatives, the need for more informed policy that allow for flexibility and new and innovative initiatives. Addressing poverty requires that the lessons of the past four decades be embraced, and this is the way that alternative economic solutions to poverty reduction in Asia Pacific can be found.
Implementing social programmes in Indonesia: Lessons for the future

Sudarno Sumarto and Daniel Suryadarma, SMERU Research Institute, Indonesia

Introduction

Poverty remains a major issue in Indonesia. In 2006 there was a net increase of four million poor people, reaching a total of 39 million and bucking a four year trend in poverty reduction. The number of the poor had been decreasing consistently since 2002, but a small shock can quickly push most of those who escape poverty back below the poverty line. Using the purchasing power parity $2/day line as a vulnerability measure, the World Bank (2006) found that 45 per cent of Indonesians are vulnerable to poverty.

Other indicators show that the poor are widely disadvantaged in terms of welfare. According to national socio-economic survey data, 45 per cent of poor households have no access to sanitation, more than half have no access to safe water, and around 20 per cent of children from poor households do not continue to junior secondary school (Widianto 2006).

Following the Asian economic crisis of 1998, the central Government brought about numerous social programmes targeted at the poor, and has set up a number of new initiatives in the last five years. These programmes take up significant proportion of the Government's budget, costing A$2.3 billion in 2005/2006, and with a 2007 allocation of A$6.5 billion.

Given the level of funds required for these programmes and the fact that millions of poor people depend on them, it is imperative that lessons are learned to ensure that subsequent programmes are improved and targeted to the needs of the Indonesian people. On a global level, the experiences of Indonesia might provide insight for other developing countries as they implement their own social protection programmes.

This paper provides an overview of three large social programmes: the unconditional cash transfer, school operational assistance, and community driven development. After outlining the characteristics of each programme, the paper then describes the results of an impact evaluation study conducted by SMERU, University of Indonesia, and World Bank and examines the programmes active both during the crisis as well as those which are ongoing. The paper also reviews the impact of current interventions, lists lessons learned and suggests how they might benefit similar programmes in the future.

Large scale interventions for the poor

Indonesia's social protection programmes can be divided into three groups. Firstly, during the crisis period, the Government instituted several programmes under the umbrella of social safety net (SSN) programmes. These range from subsidised rice, nutritional supplements for infants, education scholarships, free health services and employment creation schemes, to community empowerment programmes. Sumarto et al. (2002) reviewed the targeting accuracy of these programmes and found an average of 35 per cent leakage (the share of programme benefits that went to non-poor households) ranging from 70 per cent in the subsidised rice programme to only five per cent in the nutritional supplement programme.

As the SSN programmes were nearing completion, the Government merged some of the programmes into the so-called compensation programme for the reduction in fuel subsidy (PKPS BBM I), which was implemented between 2001 and 2004. During this period, programmes included education scholarships, subsidised rice, cash transfer, revolving funds, free health service, and community driven development (CDD).

Finally, in 2005/2006 the Government implemented the PKPS BBM II programme, which contained many components from PKPS BBM I but with an additional unconditional cash transfer (UCT) component. The UCT aimed to duplicate the success of an similar programme in Mexico, the Progresa/Oportunidades (for evaluations of Progresa see, for example, Gertler, Martinez, and Codina 2006; Skoufias and di Maro 2006; and IFPRI 2000). The next section of this paper discusses the characteristics and impacts of three key components of the current PKPS BBM II programme.

Characteristics and impacts of three large social programmes

Unconditional cash transfer

The UCT in Indonesia is the largest cash transfer programme in the world, benefiting more than 15 million households. It began in October 2005, after a major reduction in fuel subsidies, and was implemented for one year. During the programme, poor households received a quarterly payment of around A$43. An eligible household received a UCT card, which they used to...
after the first tranche of payment in October 2005, an additional 2.5 million households were added as recipients.

A household's eligibility was determined through a census conducted by Statistics Indonesia (BPS), using a district-specific proxy means-testing methodology, based on 14 indicators of poverty including household size, assets and level of children's education.

SMERU conducted two impact evaluations of the UCT. The first was a rapid appraisal undertaken in Jakarta several days after the first payment period (SMERU 2006a), and the second was conducted in December 2005 in five districts across the country (SMERU 2006b).

While these evaluations found that UCT was helpful in assisting the poor to mitigate the impact of reduced fuel subsidies, the programme suffered problems both in its design and implementation. In terms of design, the main weaknesses revolved around a weak socialisation campaign; the lack of clear role for local governments in the programme; problematic targeting methodology; and the lack of any transparent complaints mechanism. In terms of implementation there was evidence that the census team only visited households that had been identified as poor by local authorities. This has caused the programme to suffer both leakage and under coverage, as shown in an example in Table 1.

### Table 1: UCT recipients in Kedondong village, Demak, 2005

<table>
<thead>
<tr>
<th>UCT beneficiary by quintile</th>
<th>Distribution of UCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>% N</td>
<td>%</td>
</tr>
<tr>
<td>Q1 74.5 205</td>
<td>42.0</td>
</tr>
<tr>
<td>Q2 45.0 125</td>
<td>25.6</td>
</tr>
<tr>
<td>Q3 28.3 78</td>
<td>16.0</td>
</tr>
<tr>
<td>Q4 21.3 59</td>
<td>12.1</td>
</tr>
<tr>
<td>Q5 7.6 21</td>
<td>4.3</td>
</tr>
<tr>
<td>Total 35.3 488</td>
<td>100.0</td>
</tr>
</tbody>
</table>

| Village population: 1,383 households |
| Quintile size: 275-278 households |

This table shows the distribution of UCT in Kedondong village, where SMERU collected data on the welfare of each household. Treating those in the first and second quintiles as poor households, the table shows that only 60 per cent (325 households out of 550 in the first two quintiles) of the poor in the village received the transfer, indicating under coverage, while 53 per cent of the benefit was leaked to non-poor households. During implementation, meanwhile, there was some evidence that local authorities demanded a proportion of the transfer from recipients.

### School operational assistance

BOS is a school operational assistance programme which began in July 2005, replacing the special assistance for students/school (BKM/BKS) which was implemented in the social safety net era that followed the economic crisis. BOS is given directly to both public and private schools across the country, and took up A$730 million in Government spending between July and December 2005.

The main objective of BOS is to enable schools to abolish tuition fees. Between July and December 2005, 40 million students were not required to pay tuition. In addition to making schooling more affordable, BOS also aims to ensure that schools have the sufficient resources to retain top teachers, provide sufficient educational materials and ensure that students do not leave school before graduating from junior secondary level.

SMERU was commissioned by the national development agency to evaluate BOS (SMERU 2006c). The study evaluated three aspects of BOS: its impact on schools, on students in general, and on poor students. In terms of its impact on schools, BOS did allow teachers to improve the quality of their teaching by providing better equipment and teaching materials. Also, funds were used to supplement teacher income and pay for extracurricular activities. The impact on students, meanwhile, was clear: reduced or free tuition, cheaper textbooks and a reduction in other fees related to extracurricular activities provided by the school. Finally, SMERU found that while only a small proportion of schools actually give special treatment to poor students; it has nevertheless increased the motivation of poor students to continue schooling.

However, there is still some room for improvement. Firstly, there is little evidence that BOS has reduced school dropout, especially at the junior secondary level. Secondly, teachers who are also school treasurers now spend more time administering BOS, rather than teaching. This is also often the case for school principals. In addition, there have been some problems with manipulation of the funds and reduced community participation in the day-to-day operations of schools.

### Community driven development

The central Government has been driving two large CDD projects: the Kecamatan development programme (PPK) and the urban poverty project (P2KP). The two programmes have a similar basic design, both giving block grants to each area. They differ in so far as that PPK is implemented in rural sub-districts, while P2KP is implemented in urban areas. PPK began in 1998, a year earlier than P2KP, and its coverage has gone from 2,000 villages during the initial implementation to the current level of 34,000 villages. PPK is one of the world's largest CDD programmes, with a budget of $760 million. Both PPK and P2KP have two main components: small rotating credit and an infrastructure improvement fund. For both programmes, the
focus is on community participation, which ranges from town hall meetings to decide which infrastructure projects should be undertaken to actually working together to carry out any required physical labour.

The University of Indonesia (2002) conducted an evaluation of PPK and found several problems (see World Bank 2006). Firstly, local bureaucracy often dominates community meetings and impedes real community involvement. This leads to significant local capture in deciding the infrastructure projects and, after the project is completed, an unwillingness of the community to maintain the project. Secondly, the study found that poor families have less access to the rotating credit. Thirdly, those receiving credit are not given technical assistance to ensure that the funds are used effectively. Finally, there is often a lack of financial transparency from those in charge of the block grant.

Contrasting with the largely negative tone of the University of Indonesia report on PPK, the World Bank (2004) claims that P2KP helps to increase democracy at local level, increases participation, and provides access to credit to poor families. Overall, the national development and planning agency, Bappenas, found both PPK and P2KP to be much more cost effective in terms of constructing and managing infrastructures (Bappenas 2005). It found that KDP was 55 per cent cheaper than the contractor executed construction for similar infrastructure projects, while P2KP was 66 per cent cheaper.

**Conclusion: Lessons learned**

Before describing the lessons learned from these three programmes, it may be useful to outline the programmes which will be implemented from 2007-2009. Firstly, the Government plans to expand the CDD programmes to cover 5,623 sub-districts by 2009. Secondly, it will experiment with a conditional cash transfer programme (CCT), under an umbrella of the national people's empowerment programme. The CCT provides cash transfers to households with school age or infant children, on the condition that these children go to school and use the public health centre when they are taken ill. Furthermore, families that are expecting a child will also receive a cash transfer on the condition that the wife regularly consults with doctors at the nearest health centre during her pregnancy. The CCT will initially be pilot tested in six provinces, with a budget of A$570 million.

In addition to these two programmes, the subsidised rice programme will also be continued, providing 12.5 kilograms of rice per month to 15.8 million households; the free health care will be expanded to cover 15 million families; there will be a limited free education up to junior secondary level; and there will be a scholarship programme for senior secondary students from poor families.

There are four lessons to be learned from the previous programmes which could improve forthcoming programmes. The first lesson regards targeting of beneficiaries: there is evidence that the current targeting system has a weak methodology, which is often the case with top down programmes like UCT; in contrast to programmes that involve the community in one way or another. Therefore, it may be worth exploring ways to increase community participation within the targeting system.

The second lesson is in terms of coordination, both between central and local Governments and between line ministries. The rules and regulations of a programme must be well designed and the duties of each ministry should be made explicit to avoid any confusion. Thirdly, given that Indonesia now adheres to a decentralised government system, the central government should refrain from implementing large scale programmes like the UCT, but rather play a more supporting role and let the local governments decide the best programmes for their residents.

To conclude, it is important to note that significant progress has been made on poverty reduction in Indonesia since the 1998 crisis. The Government is increasingly willing to make programme improvements based on impact evaluation studies. However, the state of poverty in Indonesia is still far from satisfactory, as widespread vulnerability to poverty remains and there is uneven progress towards several Millennium Development Goals, particularly in maternal health. Poverty remains a crucial issue in Indonesia and our efforts must improve both in quality and quantity, to ensure that more and more Indonesians move towards a poverty-free life.

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Local cooperatives and microfinance in eastern Indonesia: Autonomy and opportunity for community economies

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Introduction

Pro-poor financial models for alleviating poverty have considerable policy support among donor agencies and development programming. In most developing countries access to financial and banking services is severely constrained, particularly in regions remote from urban areas and district townships, and limits opportunities for poorer communities to benefit from economic growth. This paper reports on strategies for financial inclusion that have addressed this problem in two regions of Indonesia. In both cases, local NGOs sponsoring the programme have realised the importance of savings as well as microcredit, as part of the financial participation.

Poor access to financial services characterises much of rural Indonesia. Despite improvements in recent years through activities such as the expansion of the ‘Village Bank’ system (BRI-Unit Desa) which offers financial services to the local level, coverage remains limited. Moreover, the commercial orientation of BRI (People’s Bank of Indonesia) precludes participation in credit opportunities for many poorer households.

We report on strategies adopted by two NGOs in eastern Indonesia to support financial cooperatives which facilitate savings and credit while also promoting community-based economic enterprises that draw upon accumulated capital of the local financial institutions. The study arises out of a collaborative action research programme in Southeast Sulawesi and Flores Island to implement an asset based community development project promoting community partnering and an appreciation of the significance of diverse economies under Indonesian regional autonomy policies (Robinson et al. 2004; Robinson and McWilliam forthcoming).

In particular we highlight the comparative advantages of two strategic approaches to generating savings and credit opportunities for low-income households. The first approach comprises local Indonesian adaptations of the well-known Grameen Banking system for microfinancing community enterprise and household needs in Southeast Sulawesi and Flores. This is compared with a complementary programme, promoting self-regulating community-based financial cooperatives known as Lembaga Ekonomi Desa (Village Economic Institutions). We argue that while both approaches demonstrate successful pro-poor strategies to promote economic enterprises and alleviate poverty, there are distinct advantages to encouraging forms of community banking that also generate economic services for community benefits.

Microfinancing eastern Indonesia

The success of the Grameen Bank over the last 30 years from its humble origins in Bangladesh is reflected in the recent award of the Nobel Peace Prize to its founder and champion, Muhammad Yunus. As a microcredit programme lending to impoverished communities lacking the collateral to access conventional bank loans the approach has encouraged much adaptive imitation around the world including Indonesia. With its focus on poor rural women and their borrowing potential as microentrepreneurs, along with group liability and the promotion of a social ethic, the Grameen Bank principles have demonstrated the powerful impact of microcredit provision on poverty alleviation.

Support for microcredit programmes through direct government funding or in business partnerships has expanded rapidly across Indonesia in recent years. The emergence of organisations such as Gema-PKM (Gerakan Bersama Pengembangan Keuangan Mikro), the Indonesian Movement for Microfinance Development, and the Banking with the Poor Network, reflect a growing interest in the sector (see, for instance, Indonesian Stakeholder Workshop 2004). Similarly, many district governments across Indonesia are implementing their own version of microcredit financing of community-based economic enterprise (Ismawan and Budiantoro 2005).

Our collaborative action research partners in eastern Indonesia, NGOs Sintesa (Buton) and Sannusa (Flores) have also instituted Grameen inspired programmes to facilitate income generation among the poor and vulnerable — centralised loan facilities extending cash credit and collecting repayments from village based borrowers according to a fixed set of guidelines and regulations.
Sintesa and Bantesa

In Southeast Sulawesi, Sintesa has developed a microcredit system based on the Grameen Bank model, following a study tour by Sintesa staff to Bangladesh. Named Bantesa (village assistance), the programme has developed, over the last few years, into a significant component of their community development activities. Sintesa operates as a community development organisation in southeast Sulawesi with over 80 staff supporting diverse programmes including water supply and sanitation, community health initiatives, institutional strengthening and income generating activities. They orient and orient their practice to three guiding principles, namely those of *silahsusturani* (social solidarity), *kemitraan* (partnership), and *keinambungan* (continuity of engagement with participating communities).

The principles of Bantesa encourage the formation of small groups of five non-directly related community members who are able to borrow small amounts of money individually but with group responsibility for repayments. The familiar strategy of 'shared responsibility' (*sanggung rentan*) is used to effect compliance in repayments as well as the incentive of higher levels of borrowing following successful repayments. At the highest of four levels, borrowers may access up to Rp1 million (A$165). No collateral is required but each request for lending undergoes an assessment of its economic feasibility. People who successfully negotiate the higher level are then permitted to borrow for house improvements using a credit facility based on their capacity to repay.

The implementation of Bantesa is quite staff intensive. In Buton district for example, Sintesa has appointed 30 local staff based in four sub-districts to manage the programme there. They hold weekly meetings with the credit groups in the communities, and each field staff officer is encouraged to manage seven of these groups of five with expectations that coverage will increase over time.

There are clear advantages to the Bantesa system, both for impoverished households unable to access formal banking credit or who are prey to moneylenders, as well as the NGO managing institution. As Sintesa expands the scope of its lending activities across the region, it creates opportunities for poor people to access finance and generate economic activities that contribute directly to improved household welfare. For Sintesa, as the managing institution — the credit bank — they receive a portion of the ‘profits’ of the lending programme generated from the net proceeds of the two per cent per month repayment schedules for outstanding loans. This cash flow is dependent on timely and regular adherence to loan repayments from the participating groups, and is designed to ensure the viability of the NGO itself, into the future.

Sannusa and Senu

Sannusa is a small NGO based in the district of Ngada (central western Flores). Since 1998 they have managed a Grameen-inspired informal banking facility called Senu (an acronym for *Semangat Nurani* [Pure Spirit]). Senu began with a Rp5 million (A$1,000) grant from Oxfam. It provides individual and group access to greater amounts of cash than is available through small savings and loan groups. Interest on loans is charged at two per cent per month which contributes to the administration and operational core funding of Sannusa. Currently, 23 groups from Ngada district (with over 200 members) have access to the Senu credit facility. As of June 2006 Senu had operating capital of approximately Rp63 million (A$10,000), 80 per cent of which was circulating as loans.

In terms of practice, participating groups are able to borrow twice the amount of capital they have saved in Senu. Money is borrowed on agreed terms commensurate with the borrower's ability to repay. Unlike the Sintesa system, Senu requires that their groups put up some capital as collateral against the loans. This can include land titles, livestock or other convertible assets of value; however, Sannusa has never seized assets when loans are in arrears. Sannusa staff act as debt recovery agents and regularly visit groups to discuss management or repayment problems.

Under the Senu system, individuals may borrow directly and are responsible for repayments but, like Sintesa, ultimately the group takes responsibility for the full acquittal of the loan. There is also a strong ethical dimension to these loans with a limited range of options for expenditure on productive enterprise and consumption items such as school fees and house construction. Mutual trust is an important feature of the programme, and repayment schedules are generally maintained especially with the requirement that borrowers commit their own proportional matching funds.

The groups also serve to build community trust. For example, the Papa Laka group has 17 members, all migrants under a Government resettlement scheme which brings people from nearby locations to cultivate unused land. The group initially formed under a Government seed distribution programme in 2000. As with all Sannusa groups, it is a savings as well as a credit group; building trust and solidarity is prioritised over generating profit; and members articulate a fear of failure if they grow too fast.

The programmes of Senu and Bantesa represent comparable strategies designed to assist marginal and vulnerable households to participate in the market economy and to build household self-reliance. The stepped loan approach provides a phased programme of borrowing as households gain confidence and demonstrate their skills in managing small scale community enterprises. NGOs as financial managers of the process ensure...
compliance and provide continuing advice for enterprise development, while generating a return on borrowed funds that helps sustain their own institutional services. This model clearly has advantages for poor people excluded from the commercial banking system, but Grameen-style arrangements such as these also have their limitations. Principal among these is the recognition that while the programmes may be expanded geographically to accommodate increased numbers of participants, the borrowers remain dependent on the schedules and fixed terms offered by the financial providers. Microcredit in this case remains simply that, with little opportunity for enhanced financial services or benefits under the programme design.

Alternative cooperatives: Sintesa and LED microfinance

In 2001, Sintesa instituted an innovative model of microfinance in Buton based on lessons gained from a study tour to Lombok, by Buton regional director, Syukri Rauf. Utilising an initial grant of Rp615 million (A$100,000) from a German church based donor the LED (Lembaga Ekonomi Desa) financial cooperatives programme was initiated to assist Butonese refugees from the violence and civil disorder in the Moluccan provincial capital, Ambon (1999·2000). In due course, 12 LED cooperatives were formed and legally registered as multi-purpose enterprise cooperatives (Koperasi Serba Usaha [KSU]) which allows for their expansion from savings and loan cooperatives into service provision and community based enterprises. As they have developed, membership of the LED cooperatives expanded to include local residents as well as refugee groups.

The core component of the LED is a programme of microfinance services in the form of savings (with compulsory and voluntary components) and low interest loans. Lending limits are related to savings history and profits generated by the LED cooperative are distributed proportionally to members and held as cash reserves. Sintesa provides a continuing advisory role, since donor funding ceased in 2004, and importantly has been able to offer further injections of capital to the respective cooperatives to build their loan books as they meet lending and financial benchmarks. These loans are offered by Sintesa on a subsidised basis (one per cent per month reducing) allowing the LED to maintain their lending levels at two per cent per month. These partnering arrangements have enabled a number of the LED to show impressive results over the five years of operation. Two of the cooperatives in particular are standout performers. They include LED (KSU) Syukur Jaya from Kolowa-Wadiobero with over Rp2,000 million in circulation ($300,000) and 447 members, and another from Wolando village with over Rp500 million in circulation ($70,000+) and 172 members.

As legally autonomous financial institutions, the LED cooperatives have had to adjust and adapt their operating procedures to meet the growing demands of management and service to members. The larger LED effectively operate as small banks, with a dedicated office, over the counter services, passbooks, computerised transactions records, the use of safes and holding accounts with regional commercial banks. Local LED management committees take responsibility for most of the operational activities, lending policy, setting interest rates, profit distributions and repayment schedules. The success of the programme to date offers lessons in practical empowerment of village communities to become financially self reliant and active participants in guiding their own economic development. They are very much pro-poor in their orientation.

LED Syukur Jaya and enterprise partnering

The LED Syukur Jaya is a facilitated local initiative of the village communities of Desa Kolowa and Wadiobero, two coastal settlements on the south-eastern shore of Muna island in the district of Buton. From small beginnings under the enthusiastic leadership of LED chair La Paaga, the financial cooperative Syukur Jaya has become an important local vehicle for economic growth and development. It is a key banking facility for the local community and residents of neighbouring villages. Of its 447 members (June 2006), around half are out migrants, living outside the villages of Kolowa and Wadiobero.

One use of the microfinance offered by the LED is to secure capital to initiate trading activities outside the region. The practice of economic migration (merantau) has a long history in Buton and up to 35 per cent of cooperative members are reported to access LED funds for diverse trading interests which include trading in gold, clothing, shoes, tobacco, cosmetics, fish and transport, in distant markets including Ambon, Ternate, Kendari, Makassar, Manokwari and Jayapura. Once they have established themselves in their economic enterprise, they utilise their family ties and the banking services of the LED to make direct deposits of remittances and loan repayments.

Kolowa-Wadiobero was selected as one site for a collaborative action research project undertaken with researchers from ANU. Following a community mapping and planning exercise, community members identified opportunities to develop a marketing cooperative to collect and manage bulk sales of locally cultivated seaweed (agar agar). Sintesa provided an interest free loan to construct a storage shed and buy weighing scales, and offered initial training for the local management group. A savings and loan system was established among the members of the cooperative, known as KMUM Agar Agar. Using a further loan facility from the LED Syukur Jaya, the group was able to immediately begin buying and bulking local seaweed.
Cooperative members and non-members alike were able to take advantage of the local marketing opportunity which facilitated the expansion of seaweed production along the seashore as poorer households, widows and school children, were able to sell to the coop amounts as little as 2-3kg of dried seaweed. The cost of transporting dried product to market by boat had previously precluded their involvement in this lucrative industry.

Soon after establishing the cooperative, the group was able to negotiate its first bulk sale to traders in the district capital, Bau Bau, a half hour boat trip across the narrow Buton straits. Now operating for less than 18 months, the cooperative has recently organised their 23rd shipment of dried seaweed to traders in Bau Bau. The trading netted profits of Rp10,400,750 (A$1500) and while the accounts of the trades this year show that some were sold at a loss, this was more than compensated by profitable trades averaging around Rp1 million (A$140) on a 2-3 tonne sale. At present the KMUM Agar Agar has become the largest private seaweed cooperative of its type in the region.

The example of the seaweed cooperative venture fostered and supported by the local LED highlights a further feature of the innovative possibilities of the LED financial cooperative model. This is the development of profitable supplementary enterprises and services to the local community developed out of cooperative profits (in 2005 this was approximately A$7500). They include: A telephone booth at the LED office staffed by a local resident who is paid to run the service on a 25 per cent profit share basis. Under this system there is a Rp5000 'informing fee' for incoming phone calls when the local recipient is notified of the call. The business has been very successful, particularly as a direct form of communication with economic migrants living outside the region. On their profits, 55 per cent is used to pay back the capital loan to the LED, and 20 per cent of profit is distributed to cooperative members (in 2005 they shared Rp908,460 (A$150)). The installation of the phone has been very popular among non-resident members to communicate with family and organise their financial arrangements.

The LED purchased a photocopier for cooperative use and for the wider community on a fee paying basis. The LED also collects the monthly tariff for electricity use on behalf of PLN (state electricity board). For this they receive a commission fee and after costs of there is a profit share to members of the cooperative.

A kerosene depot business planned at the annual LED meeting was opened in 2006 in response to escalating fuel prices. After acquiring a licence the drums of kerosene were purchased at Rp2,600/litre and sold for Rp2,700/litre retail. Local residents who sell kerosene from home based kiosks are able to purchase the fuel at cost price. The latter arrangement reflects the intention of the LED membership to facilitate the extension of services to the community, not to harm local small businesses.

A 50 per cent profit share business in the nearby sub-district town, Lombe, was established in 2006 with a local shopkeeper. Under this arrangement, the LED set aside Rp30 million (A$5,000) for investment in a range of commodities including cooking oil, tobacco products and sugar, with profits allocated for capital return and distributed to members of the LED cooperative.

The remarkable growth of the LED Sykur Jaya, under the energetic and committed leadership of local resident, La Paaga and his fellow committee members, highlights the potential for innovative microfinance approaches in eastern Indonesia. They extend well beyond limited microcredit schemes and illustrate the multiplier effects that can be generated when local communities are encouraged to draw on their own capacities and strengths to address local needs and economic opportunities.

**Pro-poor community economies and microfinance**

Case studies of Grameen-style microcredit programmes and the forms of financial cooperatives exemplified in the Sintesa LED model illustrate complementary approaches to economic growth and pro-poor development in local contexts. The benefits of these programmes are well demonstrated where access to formal banking credit is restricted or absent, and informal money lending creates long term indebtedness through punitive interest rates. Both models of village financial institutions present opportunities for impoverished households to participate in economic enterprise through facilitated access to low interest loans, and both approaches encourage self-reliance with social support and censure strategies to achieve repayment compliance. Where they differ lies in the significant potential for LED type arrangements, with their emphasis on community savings and community self-management, to expand financial and economic services to the wider community in profitable and ethical ways. As decision making and enterprise development rests with the LED cooperative owner-members, the financial advantages of building accessible savings and loan accounts and profitable community based enterprise produces multiple benefits and beneficiaries at the local level.

**Notes**

1. The recent 'White Paper on Australia's Aid Program 2005' is a case in point.
2. The BRI-UD microcredit program is called Kupedes and lends between $3 and $5,000 for collateralised loans achieving high rates of repayment (>98 per cent). <http://www.bwtp.org/arcn/indonesia/I1_Organisations/MF_Providers/BR1.htm>.
4. For example, the Gerbang emas programme in Ngada District, Flores.
5. The Evangelische Zentralselle fur Entwicklungschiffe, and subsequently renamed as the Evangelische Entwicklungsdienste e.V (Evangelical Development Service).

6. Subsequently three further LED were formed in conjunction with the collaborative action research project with researchers from ANU.

7. The senior management of Sintesa has elected to promote the Bantesa model as its preferred microfinance initiative, but Syukri Rauf has argued that the LED model may well serve the NGOs interests more effectively as a source of revenue given its lower cost structure.

8. KMUM stands for Kelompok Mitra Usaha Masyarakat (community enterprise partner group).

9. In 2005 the profit of the cooperative was Rp52 million (A$7,500), which was distributed according to a formula [40 per cent to cash reserves, 20 per cent to borrowers, 20 per cent to savers, 15 per cent to the management committee and five per cent to a social fund (dana sosial)] which in 2006 is funding educational materials for the local schools and a fund to assist poorer families with school fees.

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E-banking with the poor: Opportunities and implications for microfinance providers

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E-banking and microfinance

Over the last three decades, banks in developed economies have transformed their business management and service delivery from paper-based systems to integrated ICT-enabled systems. Consequently, e-commerce has become so ubiquitous that cash is now almost superfluous. Cash is used for only the smallest transactions and even this is poised to be replaced by a 'micropayments' service, where consumers pay for small items through their mobile phone, or through a value-carrying smart card.

Might the same evolution occur in less developed economies? If so, what are the opportunities and implications for microfinance providers that aim to serve the many people who, for various reasons, are excluded from the traditional banking system? Increasingly, practitioners see ICT innovation as a key strategy in taking the microfinance sector to the next level in terms of outreach and sustainability. However, the roll out of ICT-enabled microfinance is likely to change the business models and methodologies that have been core to the microfinance enterprise, and microfinance institutions (MFIs) will need to respond accordingly. Furthermore, e-banking will enable commercial banks to do microfinance more profitably, especially in serving the upper strata of the typical microfinance client group, and this may put significant pressure on the financial viability of specialist MFIs.

Introduction to microfinance

Microfinance is the provision of relevant and affordable financial services to poor households. The 'micro' prefix refers to the size of the financial transactions; it does not imply that the MFIs themselves are small. In Bangladesh, for example, a number of MFIs — ASA, BRAC and Grameen Bank — each have more than four million clients. Microfinance is primarily concerned with credit and savings although, in recent times, allied services such as insurance, leasing, payment transfers and remittances are being introduced to the mix. In the early days, microfinance was focused on providing working capital to people who generate income for themselves in very small business activities. While this important emphasis remains, the sector has broadened its objectives to the delivery of financial services to poor households so that they can manage their financial resources more effectively.

Providing microfinance to poor clients requires innovative operating methods to manage risk and reduce transaction costs. Poor households do not usually have physical assets to offer as collateral for loans, so MFIs have developed substitutes. The most common form of substitute collateral has been the formation of groups of borrowers and the establishment of joint liability procedures, where loan group members effectively guarantee one another's loans at risk of losing their own access to credit. To reduce transaction costs, MFIs primarily deal with these loan groups rather than with individual clients and they outsource certain administration tasks to the groups.

Since the early 1990s, a major emphasis within the microfinance sector has been on institutionalisation, including building the governance and management capacity of microfinance providers. This emphasis has a number of motivations. First, if a MFI accepts deposits from clients, it will be required to meet prudential requirements as defined in local banking laws, and this demands high standards of governance and management. Second, institutional maturity is needed to enable and manage growth in the client base, which allows the MFI to reap advantages of scale and achieve a greater degree of financial sustainability. Third, institutional maturity is necessary to attract capital investment from external sources.

The overriding mission of a MFI is to provide financial services to poor households on a sustainable basis. While most MFIs have a pro-poor, development oriented emphasis, they are more correctly understood as banks rather than as development organisations. Indeed, some microfinance providers are licensed, commercial banks.

In this paper, MFI is used as a generic term for all categories of microfinance providers, including specialist microfinance institutions, commercial banks that have microfinance programmes and generalist development organisations that offer microfinance services.

Outreach and sustainability

There are two current imperatives within the microfinance sector: 'outreach' and 'sustainability'. There is, however, a creative tension between these imperatives. On the one hand, if 'outreach' is taken to mean 'more clients from a similar demographic', then 'outreach' and 'sustainability' are effectively synonymous.
Client outreach provides economies of scale that in turn makes the MFI more efficient and therefore more financially sustainable.

On the other hand, if 'outreach' is taken to mean 'targeting hard-to-reach clients' such as people living in remote areas, then 'outreach' and 'sustainability' are effectively competing terms. Reaching clients in remote areas is relatively expensive, which makes the MFI less efficient and therefore less financially sustainable. This is the real outreach challenge for MFIs because it requires new business models and processes, including technological innovation.

**Microfinance and ICT innovation**

**Back office management information system**
The most fundamental ICT application is the back office management information system (MIS). A suitably functional, computerised MIS is prerequisite for a MFI to monitor the quality, sustainability and efficiency of its loan portfolio, to measure development impact, and to manage general administration tasks. It is difficult for a MFI to upscale significantly and maintain the accuracy and transparency of its loan portfolio without an MIS that can grow with the institution.

The larger MFIs have sophisticated back office systems based on the same functionality provided by mainstream banking software. Indeed, some MFIs use off-the-shelf packages that might be found in any commercial bank. There are, however, a number of difficulties that arise when using these packages. Microfinance differs from traditional banking in a number of fundamental ways, with respect to products offered, clients served, the environment in which it operates, and the non-financial information that needs to be recorded and tracked. Many off-the-shelf software packages lack the functionality to deal with these realities and requirements. This raises the need to either modify off-the-shelf software or develop in-house software, which assumes that the MFI has the internal capacity to develop and maintain software or the resources to outsource this work. More needs to be done to make standard and affordable MIS software accessible to smaller but expanding MFIs (Ahmed 2003).

While these MIS might not be the most exciting ICT innovation they are, nevertheless, the most fundamental aspect of a MFI's hi tech infrastructure. Indeed, ICT innovation for the delivery of microfinance services is not possible without an appropriate back office MIS.

**Mobile computing**
While the back office MIS enables the MFI to monitor its loan portfolio, this functionality is undermined if the data analysed by the MIS is not up-to-date or accurate. With dispersed branch offices, paper based transaction records and manual data entry, there can be a data delay of days or even weeks, and the possibility of introducing errors during the data entry process is high.

A recent innovation that serves to overcome these issues is mobile computing applications—palmtop computers that loan officers take to the field so that transactions can be recorded directly into the MIS, negating the need for intermediary data entry at the branch office. The data entered into the palmtop computers is typically uploaded to the MIS at the end of the day, either directly in the branch office or via a remote communications link. Furthermore, the roll out of wireless broadband infrastructure will enable these systems to be 'always online', resulting in true real-time data collection and monitoring of the loan portfolio at branch and institutional levels (Rao 2004).

These mobile computing solutions do not alter the operational methodologies employed by the MFI. Therefore, while bringing immediate efficiency and accuracy benefits, they can be implemented with very little disruption to ongoing operations.

**Correspondent banking**
Providing services to clients in remote locales is a key outreach challenge for MFIs. These locales include rural areas where the population density is low, the market is smaller and service provision is more expensive. One approach to meeting this challenge is through 'correspondent banking', where a bank links with third party retail merchants located in remote areas. Correspondents manage transactions on behalf of the partner institution, and they are remunerated on a fee-for-service basis (Kumar et al. 2006).

The key qualities needed of bank correspondents are that they are long-term businesses, respected and trusted in their communities. They also need to be 'ICT enabled'; they will generally be equipped with technology such as an EFTPOS device, barcode readers and/or keypads, a personal computer, and so on. They will be linked to the partner institution's servers using a telephone line, cable or satellite link. Typical correspondents include post offices, supermarkets, general stores and gas stations. Examples of correspondent banking in Australia include the 'bank@post' services offered by Australia Post and the 'EzyBanking' service offered by the largest supermarket chain, Woolworths. A recent player in this mix, notably in South America and India, are the rural telecentre networks that are particularly suited to serving as retail outlets for a distributed microfinance network, because of their innovation-business orientation and their familiarity with IT systems and telecommunications services.

With respect to the regulatory environment, bank correspondents must be legally empowered to provide a full range of services for customers, while not neglecting risks of fraud, theft.
and money laundering. An innovative approach to banking policy and regulation is needed if bank correspondents are to achieve their full potential for delivering inclusive financial services.

**Card services, EFTPOS and ATMs**

There are a number of similarities between microcredit services and consumer credit cards. Like microfinance methodologies, credit cards were introduced to reduce the high costs associated with small transaction lending. Common characteristics include unsecured credit, small transactions, and predefined credit limits. Other salient features of credit cards, which many microfinance clients would like their providers to duplicate, include on demand borrowing, a redraw facility, and repayment flexibility within predefined guidelines. We know that microfinance clients desire these features because they continue to utilise local moneylenders for these very services where they are not provided by their MFI.

Given the similarities between credit cards and microcredit services, the concept of a 'microcredit card' arises as a likely solution. The introduction of card based services also requires the roll out of either EFTPOS functionality with third party merchants and/or Automatic Teller Machines (ATMs).

The delivery of card based microfinance offers even more opportunities. MFIs can implement microfinance tuned, credit scoring algorithms allowing clients who have proven their creditworthiness over time through successful repeat business to have their borrowing limit automatically increased, be given access to additional products and services, and be granted greater borrowing and repayment flexibility (Salazar 2003).

MFIs can also consider smart card technology as part of their 'microcredit card' solution. Smart cards have an embedded computer chip that can store client and transaction data, as well as process information. Smart cards function as electronic passbooks, thereby reducing reliance on printed receipts (Whelan 2003c). Because all relevant client data is stored on the card, MFIs can utilise EFTPOS systems and ATMs that do not need to be always online. This is a significant advantage in areas where telecommunication services are unreliable and/or expensive (Whelan 2003a). Finally, smart cards can be used in conjunction with biometric technologies (such as fingerprint scanners) to enhance the process of client identification, thereby enhancing privacy and data security (Whelan 2003b).

For example, all of the functionality mentioned above is being developed for the microfinance sector in India by Financial Information Network and Operations Pvt. Ltd. (see www.fino.co.in).

**Internet banking**

Internet banking provides clients with real-time information about their accounts, and the ability to transfer funds between their accounts. It is an empowering tool because it gives bank clients the flexibility to manage their financial resources at their own leisure, without having to visit a bank office during opening hours. In particular, it is a vital accompaniment to card based services, allowing clients to keep track of numerous small electronic transactions.

From the bank perspective, internet banking is an efficiency tool because it reduces the work of human tellers and therefore reduces labour costs. It is a relatively easy and inexpensive service to offer, and the incremental cost of having 1,000, 10,000, or 100,000 internet banking clients is negligible.

The main constraint to MFIs implementing internet banking is their clients' minimal access to the internet. In some areas, this constraint is being overcome somewhat with the roll out of rural telecentre networks.

**Electronic community banking**

Electronic community banking (ECB) is a concept that exploits the benefits of electronic banking while at the same time incorporating microfinance principles that have proven effective all over the world for building community economy and social capital. The objective is to help promote local economic development in disadvantaged communities by facilitating investment in local enterprises.

The ECB facility is a product offered by commercial banks and is located within the mainstream banking infrastructure. It exploits the benefits of electronic banking, allowing cash to be transferred electronically into and out of the ECB account, thus reducing transaction and fraud risk. It has a specially designed internet banking interface, enabling centralised support and upgrading of functionality.

ECBs incorporate those 'peer support/peer pressure' aspects of microfinance that help to ensure high loan repayment rates. They require local management and administration, and allow local configuration of lending terms and conditions.

To retain the emphasis on 'local investment in local enterprise', the ECB loan fund is capitalised through member investment. The ECB includes a 'mini share register' to manage buying and selling of units in the loan fund. Any profits earned by the loan fund are distributed periodically to investors on a pro-rata basis. While it should not depend exclusively on external capital, the facility can nevertheless allow external contributions to the loan fund, thereby creating the possibility of issuing more, larger loans (Mathison 2006).

**Mobile phone banking**

GSM cellular phones are becoming increasingly accessible and affordable for the poor. The World GSM Association reports that during the years 2003-2006, more than 800 million mobile phones were sold in developing countries. Mobile phones are
now not only the preferred means of telecommunication but, in many cases, the only option. Furthermore, the world GSM Association (2007) reports that the mobile phone is the first and only communications technology to have more users in developing countries than in developed ones.

GSM phones can become ‘mobile wallets’ by facilitating electronic payments in exchange for goods and services. This development in m-commerce has been applied to facilitate savings deposits, loan repayments and other funds transfers. For the cost of sending an SMS message, the phone user/microfinance client uses an application stored on his mobile phone to initiate a transfer from his mobile phone account to his bank account. Examples include Globe Telecom’s ‘G-Cash’ (www.myglobe.com.ph/gcash/) and the ‘WIZZIT Bank’ (see www.wizzit.co.za).

Conclusion

Most of the above examples of ICT innovation in microfinance are being trialled or implemented in various MFIs or banks around the world. However, they are yet to become widespread. There is much to learn and more experimentation to take place. Nevertheless, the microfinance sector stands at a junction point, where its business models and processes are going to be challenged by these innovations.

There are many constraints to the roll out of ICT-enabled microfinance. First, all of the usual digital divide issues apply: ICT regulatory regimes that hinder rather than enable innovation, non existent or unreliable ICT infrastructure, and the lack of human capacities needed to fully engage with the ICT applications. Second, there are challenges from the microfinance perspective as well: financial sector regulation that restricts innovation in e-banking and m-commerce, technical capacities of MFIs to manage the roll out of ICT systems, and managerial capacities of MFIs to manage the necessary changes in business processes that will accompany the ICT innovations.

One cautionary observation is that some ICT-enabled services, especially card based services, tend to individualise the banking process and isolate the client from his/her peers. This conflicts with those group based methodologies that are held up as the key reason for the high repayment rates that are typical in the microfinance business. This concern cannot stop the transition to electronic services: but it is something that will need to be monitored.

Some people will say ‘it cannot be done in microfinance, electronic banking with the poor will not work’. To this attitude, we can reply with two salient points. First, it has to work, because economies and enterprises that have embraced electronic banking and commerce will find it increasingly difficult to do business with those that have not, leaving the latter at a continuing disadvantage. Second, we do well to remember that more than 20 years ago when microfinance was in its infancy, there were many who said ‘the poor cannot repay, the poor will not save’. On all counts they have been proven wrong. Perhaps the same will be the case with e-microfinance.

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Financial competence as a tool for poverty reduction: Financial literacy and rural banking in the Pacific

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Financial competence, the understanding of, attitude to and management of, money is a potentially powerful tool in the fight against poverty. A range of financial literacy and financial inclusion programmes targeted at the disadvantaged have been developed and implemented in several developed economies. However, to date few programmes to increase the financial competence of the poor have been implemented in developing economies. This paper outlines the financial competence construct and the role financial competence can play in poverty alleviation. It examines a successful multi-jurisdictional, financial literacy and financial inclusion, collaboration between the United Nations Development Programme (UNDP) and ANZ Bank to enhance the financial competence of rural communities in the Pacific, and discuss the potential for replication in other contexts, and the implications for development actors, commercial organisations and regulators.

Financial competence and poverty

Sen (1999) has conceptualised poverty as the absence of capability, often evidenced by an economically driven absence of choice. Sen cites the example (1999:75) of an affluent person who fasts and may have the same functioning achievement (in terms of eating) as a destitute person who is forced to starve. The affluent person, however, has choice whereas the destitute person has no choice.

In a subsistence economy with high levels of informal exchange the inability to participate in the formal money economy may not, of itself, be a significant impediment to accessing basic nutrition and shelter requirements. However, in a globalising economy requiring participation in the money economy in order to access basic commodities, health, education and shelter, access to money, the ability to manage money and the opportunity to participate in the formal financial system become basic freedoms.

In this paper I propose that control over money, both the ability as well as the opportunity to exercise control over money, be considered an essential human capability. The management of money within the household is as important as the quantum of money the household receives. A core focus of development, therefore, must be to ensure individuals have adequate access to the instruments of the money economy and the required skills to manage participation in the money economy.

Poverty in the Pacific

The money economy is increasingly impacting Pacific communities. To date little has been done to ensure households and communities faced with the challenge of monetisation have the tools to be able to manage and control their interaction with the money economy.

Abbott and Pollard (2004:3), developing a definition of poverty relevant to the Pacific, define poverty as an inadequate level of sustainable human development manifested by:

- a lack of access to basic services such as primary health care, education and potable water;
- a lack of opportunities to participate fully in the socio-economic life of the community; and
- lack of adequate resources (including cash) to meet the basic needs of the household or the customary obligations to the extended family, village community, and/or church.

There appears to be a nexus between monetisation and poverty. Abbott and Pollard found evidence that an increasing number of Pacific Islanders are disadvantaged, and consider themselves to be disadvantaged. People in the Pacific are concerned that monetisation is placing an increasing burden...
on cash resources, causing in turn an increased requirement for cash income. The view of Pacific countries as places of ‘subsistence affluence’ is no longer correct.

Importantly, poverty is described by households in monetary or monetary-related terms: the requirement for income, the requirement for a reasonable standard of basic services and the requirement for skills to meet opportunities and challenges. A quarter of households in the Pacific now have income/expenditures below the national poverty line (ibid:29).

**Inclusive financial sectors**

Access to a well-functioning financial system can economically and socially empower people (United Nations 2006). The development of an appropriate financial services environment specifically for the unbanked poor can play an important role in enhancing positive participation in the money economy, enabling the poor to access the formal payments system (both domestic and international), secure savings and well regulated and affordable credit. The development of inclusive financial sectors is therefore a potentially powerful tool in the fight against poverty.

**Financial exclusion**

Financial exclusion is a situation in which a person does not have access to, or elects not to access, financial products or services which would enable them to make informed decisions or organise their money effectively. The consequences of financial exclusion are significant. Lack of access to transaction banking facilities restricts access to the formal payments system. This imposes increased transaction costs and reduces ability to access a range of common transaction and payment services. Financial exclusion restricts access to regulated credit and forces individuals to utilise higher cost (and potentially predatory) sources of credit. Financial exclusion also limits opportunities for secure savings — both short/medium-term and longer-term savings.

Levels of banking exclusion vary across the developed countries. Kempson et al. (2004) found financial exclusion levels varying between one per cent and 17 per cent of the adult population. This headline figure is, however, deceptive. Those who are excluded from the formal financial system are typically people who live on low incomes or live in disadvantaged areas (ANZ 2004; Kempson et al. 2004; Kempson et al. 2000). For example, in the UK eight per cent of the total population are estimated to be without any form of bank account. However, this rises to 65 per cent among households in the bottom three income deciles (Clark, Forter and Reynolds 2005). At a broader level, Kempson et al. (2000) noted a fifth of people in the UK are on the margins of financial services and usually have little more than a bank account, and at least a quarter have no savings, home contents insurance or private pension (long term savings).

Research in developing countries is limited. However, it appears financial services are typically available to a minority of the population (United Nations 2006:1). Given the higher proportion of the population in developing countries living on low incomes and in disadvantaged areas, it is probable the extent of financial exclusion is higher than the levels evident in developed countries. Research in Fiji (Sharma and Reddy 2002) suggests two thirds of rural dwellers may not have access to reliable banking services. The level of financial exclusion experienced by urban dwellers is not known.

**Financial literacy**

Financial literacy encompasses the knowledge and skills required by individuals to function effectively in the money economy and make informed judgments in respect to their own and their family’s financial circumstances. There is evidence of a correlation between financial literacy and positive financial behaviour, although the direction of causality is unclear (Hilgert, Hogarth and Beverly 2003).

Financial illiteracy can lead to self-exclusion from the formal financial system. Those who are financially illiterate are more likely to be intimidated by the complexity of the financial system. Financial illiteracy can also result in people making inappropriate decisions due to lack of knowledge or understanding. It is, for instance, common for predatory lenders to prey on those with limited financial knowledge and understanding.

As the financial system becomes increasingly complex, the requirement for financial literacy increases. The array of financial elements with which individuals must be competent also increases. The level of required literacy aligns with the level of an individual’s participation in the financial system. Financial literacy is therefore both dynamic and situational.

A significant number of financial literacy programmes have been launched in recent years in developed countries, in particular the UK, USA and Australia (see, for example, Vitt et al. 2000; Fox et al. 2005; Braunstein and Welch 2002). A broad range of financial, consumer and educational institutions are now providing programmes targeted at both students and adults, most of which have been launched within the past decade (Fox et al. 2005). These programmes are augmented by a wide array of popular financial books and guides, covering topics such as financial planning, investment management, and management of personal finances, insurance, and tax planning.

In contrast to the focus on financial literacy by a broad range of providers in an increasing number of developed economies, it appears limited attention has been paid to financial education in the context of poverty reduction programmes in developing countries (see Piprek et al. 2004; Sebstad and Cohen 2003).
**Attitude to money**

In developed economies money takes a variety of forms and has a variety of often conflicting meanings. Money has become a primary (if not the primary) measure of value — including a measure of self-worth (Gresham, Austin and Fontenot 1989). Conversely, money is also widely regarded as the 'root of all evil'. Concurrently, however, additional money is commonly considered a means of solving many everyday problems. In contemporary Western society 'money is probably the most emotionally meaningful object in contemporary life; only food and sex are its close competitors as common carriers of such strong and diverse feelings, significances, and strivings' (Kreuger 1986:3).

In developed economies people generally appear to have a positive attitude to money (Tang 1992, 1993, 1995). Money represents material success, not evil, and careful budgeting is generally valued. Attitude to money appears to be independent of a person's income (Yamauchi and Templer 1982). Different ethnic and national cultures appear to hold different attitudes to money (Furnham and Argyle 1998:48).

Little attention has been paid to attitude to money, and the meaning of contemporary money, in developing economies. However, given the importance of money in developed economies and the significant influence money can have in determining behaviour, it is likely attitude to money will also be important in developing economies — in particular as monetisation spreads. It is also likely that attitudes to money in developing countries will also be affected by current and prior experiences with money and the individual's level of financial knowledge and skill.

**Financial competence**

Competent participation in the money economy requires an appropriate level of knowledge and skill, an appropriate attitude to money, and the adoption of positive financial behaviours (including financially inclusive behaviours), enacted within an accessible financial system trusted by those participating in the system. There are indications that a correlation exists between financial literacy, financial inclusion and standard of living (although the direction of causality is at present unclear). We can begin to construct a theory of financial competence relevant to poverty alleviation.

Financial competence can be conceptualised as a set of financial capabilities operationalised across a range of financial activities. Financial activities can be categorised. The categorisation adopted for the competency model discussed in this paper is that developed by the UK Financial Services Authority (FSA 2005).

![Figure 1: A model of financial competence](image)

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Financial capability

March 2007
In order to perform a given financial activity, financial capability must be employed. Capability can be either latent (knowledge and skill) or enacted (behaviour). To be effective, capabilities must be deployed at an appropriate level of competence. An individual's attitude to money will influence the financial capabilities utilised and the financial activities undertaken.

The Adult Financial Capability Framework developed by The UK Financial Services Authority and the Basic Skills Agency (FSA and BSA 2003), proposed three inter-related dimensions of financial capability/financial literacy: Financial knowledge and understanding, financial skills and competence, and financial responsibility. Importantly, the FSA/BSA framework introduced the concept of competence to the financial literacy/financial capability construct. Competence provides a lens through which to view the complex interrelationship between financial knowledge and skill, attitude to money and financial behaviour (including financial inclusion).

While competencies are situation specific, the set of competencies developed by the FSA and BSA does, however, provide a base framework for the determination and measurement of competence and the development of outcomes relevant for interventions to increase competence.

The principal drivers of change in financial competence are therefore a change in latent capability (knowledge and skill), a change in financial behaviour (including financial inclusion), and a change in attitude to money. This can be depicted as a set of relationships, as indicated in Figure 2.

A change in the overall level of an individual's financial competence can therefore affect the individual's economic well-being and subjective well-being (self-reported happiness). A change in the well-being of those in the household principally responsible for managing the household's finances (both shorter-term and longer-term finances) can also, therefore, affect the well-being of those dependent on the individual. An increase in the financial competence of the principal financial actors in a household is therefore likely to positively affect the well-being of the household generally. This relationship will be mediated by a range of environmental factors (for example access to transport, environmental and political stability), socio-cultural factors (for example social obligations, socio-cultural conceptualisations of money/wealth, familiarity with contemporary money, and traditional modes of economic exchange) and individual factors (for example an individual's level of functional literacy, habits and personal relationships).

We can illustrate this by way of example. Remittances are becoming increasingly important in several Pacific countries. A recipient of a remittance who has a low level of financial knowledge and skill is more likely not to have a bank account to receive the remittance or to place emphasis on deferred spending. Consequently the financial behaviour adopted is more likely to require receipt of the remittance in cash via informal transaction channels (with consequent higher costs) and there is a greater likelihood funds will be used for short-term consumption. Therefore there is more likely to be small impact on household economic well-being. Conversely a recipient of a remittance who has a higher level of financial knowledge and skill is more likely to have a bank account to receive the remittance and to place emphasis on deferred spending. Consequently it is more likely funds will be deposited directly to a bank account (with lower transaction costs) and funds will be split between immediate and deferred spending. Therefore it is more likely the remittance will lead to both an increase in household income and assets, as in Figure 4.

Intervening to enhance participation in the money economy is a potentially powerful tool in the alleviation of poverty. To be successful, intervention must encompass the ability to exercise control over money and the opportunity to exercise control over money. Two interventions are therefore required to improve the position of the financially excluded: a targeted programme to enhance financial knowledge and skill, and an accessible, trusted, financially inclusive environment.

The following is a brief example of a successful Pacific-based intervention to enhance both the ability and opportunity to exercise control over money by financially excluded rural villagers in Fiji. It illustrates how a well-structured and targeted financial literacy and financial inclusion programme can be quickly and cost effectively developed and can achieve significant results within a relatively brief time frame.
Intervening to improve financial competence

**Receipt of an international remittance**

*Little importance placed on planned use of money*

- **Recipient—low level of financial knowledge & skill**
  - Money received in cash
  - High informal transaction cost with reduced net receipt
  - Money used for short-term consumption
  - Does not have a transaction account
  - Most receive funds informally in cash

- **Financial behaviour**
  - Financial inclusion

- **Household wellbeing**
  - Small increase in household income
  - Little increase in household assets

*Importance placed on planned use of money*

- **Recipient—high level of financial knowledge & skill**
  - Has a transaction account to receive funds
  - Money deposited in bank account
  - Low transaction cost with high net receipt
  - Funds split between immediate and deferred consumption (savings)

- **Financial behaviour**
  - Financial inclusion

- **Household wellbeing**
  - Higher increase in household income
  - Increase in household assets

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March 2007
Rural banking in Fiji

The Republic of Fiji has a population of approximately 900,000. Close to 90 per cent of whom live on the two major islands, Viti Levu and Vavau Levu. Approximately half the population lives in rural areas many of which are remote with limited and difficult road access. Fiji has a well regulated and stable banking system.

Supply and demand for banking services in rural Fiji

There has been a progressive withdrawal of banking services from rural Fiji. The postal service which provides the principal means by which rural Fijians can access the banking system has reduced its outlets by an estimated 60-75 per cent in recent years.

Tebbut Research (2005), in a survey of the demand for banking services in rural Fiji, undertaken for the Reserve Bank of Fiji found that, while bank and non-bank savings are low, the demand for savings services is high (demonstrating a positive attitude to deferred spending). The low level of financial inclusion in rural Fiji is clearly due to supply rather than demand factors.

Government and Reserve Bank intervention

Concern about the lack of banking services in rural areas mounted during the 1990s and the 1999 Committee of Enquiry into Financial Services recommended action be taken. In 2001 the Reserve Bank of Fiji established a working group with representation from the Reserve Bank and the commercial banks. Research was initiated and consideration given to the establishment of a fund for rural banking services to be funded by a required contribution by the commercial banks of one per cent of their profit.

‘Banking the unbanked’ initiative

ANZ Bank, a multinational bank with long established operations in Fiji, determined it would independently investigate whether it was feasible to extend financial services to rural areas. ANZ's business was focused primarily on commercial banking whether it was feasible to extend financial services to rural areas.

ANZ Bank, a multinational bank with long established operations in Fiji, determined it would independently investigate whether it was feasible to extend financial services to rural areas. ANZ estimated the potentially accessible market to be as many as 350,000 people.

The ANZ project manager established a network of collaborators. These included village elders, the Reserve Bank of Fiji and the UNDP who, having previously supported a range of Grameen replication microfinance initiatives in the Pacific, had adopted an inclusive financial sector approach (Liew 2006) within the wider context of UNDP's engagement with the commercial community (Commission on the Private Sector and Development 2004). UNDP had recognised the need to facilitate an increase in the financial literacy of rural communities in Fiji, but also recognised that increased literacy required the concurrent opportunity to utilise knowledge and skill through participation in the formal financial system.

The solution developed was simple: financial literacy training combined with mobile rural banking. To ensure sensitivity to environmental and socio-cultural factors, the local community was, and continues to be, a key partner in the initiative. Villagers, in particular village elders, were directly involved in the development of both the financial literacy training and the rural banking service.

Financial literacy

Working with a range of local participants, UNDP developed a financial literacy training programme. The training model was developed to suit the rhythm of village life. UNDP contracted training to the microfinance unit of the National Centre for Small and Micro Enterprise Development. Training is conducted in the local language and is undertaken concurrent with, but independent to, the provision of the rural banking service. Training is conducted on a group basis, with delivery in situ, usually in the village.

Financial inclusion

The banking product range is specific to the customer base and delivery model. Two savings products are offered. Both pay interest on deposit balances with one account charging a monthly account management fee. Field operation of the accounts is not system dependent. The accounts are passbook based and manually updated. An individual micro loan is also offered. Dedicated bank staff provide frontline services and back office coordination. Standard account management and voucher processing processes are used. There is significant commitment by bank staff to the rural banking service, despite the longer working hours and extensive travel over frequently marginal roads.

Outcomes

The banking the unbanked initiative has achieved significant results within a short time span. There are approximately 1,200 formal villages and 500 settlements in Fiji. A significant number of villages and settlements are located in rural areas. A programme has been implemented to provide financial literacy training to 250 rural villages over a 1.5 year time frame at a rate of approximately three villages per week. To date financial literacy training has been delivered to 130 villages (this is in addition to the 120 villages to whom training was delivered during the pilot
phase of the project). Two training models are used: a direct and a cascade model. Trainers from the microfinance unit undertake training as part of their regular village visitation programme and also train trainers from provincial councils who subsequently undertake training in villages.

Rural banking operations commenced October 2004. During the first 12 months of operation 40,000 new deposit accounts were opened at an average of one account per customer. ANZ estimates 98 per cent of accounts have been opened by customers without a current bank account. The initial focus has been to build the deposit account base. Increased emphasis is now being placed on micro loans.

In the 18 months since inception, the rural banking service has provided outreach to 14 per cent of the estimated 300,000-350,000 people in rural Fiji who do not have a convenient and secure means of managing money. On current trends the outreach will have extended to approximately 18 per cent and could potentially reach between 34-40 per cent within three years.

The financial literacy and financial inclusion initiative has now been extended to the Solomon Islands and research is underway to determine the feasibility of extending to other jurisdictions in the Pacific.

Summary
In a globalising economy, the opportunity to participate in the formal money economy and the ability to manage money are basic freedoms. Competent participation in the money economy requires an appropriate level of knowledge and skill, an appropriate attitude to money, and the adoption of positive financial behaviours, enacted within an accessible and trusted financial system.

Interventions to increase financial competence are a potentially powerful tool in the fight against poverty. To be successful an intervention must encompass both the ability to exercise control over money and the opportunity to exercise control over money. A well structured and targeted financial literacy and financial inclusion programme has the potential to achieve results within a relatively brief time span.

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Can rural development alleviate poverty in Papua New Guinea?

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The phrase 'rural development for poverty alleviation' entered the vocabulary of development and poverty studies in the 1990s. It can now be found in the policy documents of a range of development agencies. For example, the United Nations Social Commission for Asia and the Pacific reported in 1999 on measures to alleviate poverty which contained a section on the 'impact of rural development on poverty alleviation' (ESCAP 1999). In 2004 the Food and Agriculture Organization held an international meeting in order to 'spearhead' regional cooperation on agricultural and rural development for poverty alleviation and food security in Asia and the Pacific (FAO 2004).

AusAID's policy document on rural development does not use the phrase but implies that the primary objective of its rural development policy is poverty reduction. It states:

The Australian Government's strategy for the rural development sector in the aid program is to focus on reducing rural poverty by increasing opportunities for the poor to generate income (AusAID 2000:5).

This AusAID paper was prepared before the publication of Baxter's 2001 report on Papua New Guinea (PNG) poverty. Baxter's primary objective was to show that poverty in PNG is overwhelmingly rural and he emphasised the differences between the rural and the urban sectors, more than the differences that exist within the rural sector, but he acknowledges that 'some rural areas are much poorer than others' (2001:29) and refers to our own work as evidence of this. Baxter rightly recommended that the aid programme be used to increase rural productivity and to improve rural incomes, but he qualified these arguments by pointing out that poor governance resulted in the failure of many rural development programmes planned in Port Moresby and Canberra. Funds allocated to rural areas did not reach them, government plans for rural development were rarely ever achieved, and planning and expenditure were carried out without reference to rural situations. He argued that rural social and economic growth is difficult in rural areas and that poverty alleviation should be specifically 'pro-poor' and not part of other programmes.

Our work finds that the highest proportions of poor people in PNG are located in the most isolated and environmentally disadvantaged parts of rural PNG, where development has not occurred to any extent and where a number of severe constraints make it unlikely that it will ever occur. Hence our argument that rural development, as that term is normally understood, will not significantly alleviate poverty in PNG. While rural development programmes have the potential to improve productivity and to increase rural incomes, in the poorest places in PNG cash incomes are very small and circumstances make it very difficult to increase them. An important determinant of whether a person is poor in PNG is where they live. Poverty is strongly associated with poor quality environments. The contemporary pattern of PNG 'poverty' was recognised in the late 1940s. The poor places identified have been known variously as 'less developed', 'underdeveloped' and 'disadvantaged' areas. The pattern has remained relatively stable from 1950 to the present, which strongly suggests that PNG poverty is chronic and will therefore be difficult to alleviate. It also means that aid programmes must distinguish clearly between the objectives of promoting rural development and of alleviating poverty.

The contemporary pattern of poverty

The contemporary pattern of poverty in PNG has been identified from the 1996 Household Survey (Gibson and Rozelle 2003).
1998), the 2000 National Census, the PNG Resource Information System (Bellamy and McAlpine 1995) and the Mapping Agricultural Systems in PNG Project (MASP; see Allea 1999). Statistical techniques have been developed that predict poverty rates estimated from a restricted sample household survey in all national administrative units (see Hentschel et al. 2000). In rural PNG, these techniques have been used to create disaggregated maps of poverty (see Figure 1). Places in which the predicted poverty rate is high occur right across the western end of the country, in Sandaun Province in the north and Western Province in the south. Only the Ok Tedi mine in the northwest of Western Province disrupts this pattern. Other districts that are predicted to have a high poverty rate are located along the northern and southern fringes of the highlands (the highlands valleys are noticeably low poverty areas), along the Huon Peninsula and down the central mountainous spine of the mainland into Central Province. Low levels of poverty are predicted for the Islands Region.

That this pattern of 'poor places' has been relatively stable over the past 50 years can be shown by examining three previous studies. Over 30 years ago, using 1967-68 data, Brookfield and Hart (1971:296) observed:

... the virtual exclusion of wide areas, especially in the west, from any significant participation in the production of exports, except through migrant labour. There is very little cash-production indeed west of the longitude of Mt Hagen, yet almost half of the total area of the country lies west of this line. The heavy concentrations in parts of the Bismarck Archipelago, and the secondary concentrations in the central highlands, and in some coastal and island areas of the eastern peninsula, emerge very clearly.

Brookfield and Hart argued that the underlying reason for this pattern was the severe environmental constraints to the establishment of cash cropping in poorer areas, leaving people who lived in the environmentally poorer areas who wanted to participate in the cash economy with no alternative but to migrate to the better off areas. They also made explicit links between the income earned from cash cropping with improvements in local infrastructure and services:

Much else goes with these contrasts in incomes, for the higher spending power of wealthier districts tends to command a higher level of services, not only from the commercial systems, but also from Government. Local council taxation levels vary with capacity to pay, but the ability of councils to contribute to the costs of schools and medical aid-post construction has an effect on the level of education and health services provided. Thus the rich get richer (ibid:302).

Brookfield and Hart were 'startled' by the almost ten-times order of magnitude difference between per person incomes being received for cash crops in the island provinces of East New Britain and New Ireland and the emerging highlands coffee growing provinces typified by Eastern Highlands, compared with the 'almost pitiful incomes of the four westernmost [provinces] — East Sepik and West Sepik, Southern Highlands and Western' (1971:301). Other poor areas in 1967 included all the coastal provinces of the mainland except Milne Bay and all of West New Britain.

Brookfield and Hart's work was followed by Wilson's (1975:75) who used 1969-70 data and applied six 'socio-economic indicators' to 'investigate differences in socio-economic development between different areas in Papua New Guinea'. Wilson compared the then 79 subdistricts on village cash crop production, hospital and health centre beds, administration staff, school enrolments, access to services, and the grade of local government councils1 and ranked them into six groups. Most of the districts that fell into Wilson's most developed Group 1 had a major urban centre within them. The rest of the districts that fell into Groups 1 and 2 were either in the Islands Region, or were close to the Highlands Highway in Morobe and the highlands provinces east of Mount Hagen.

Figure 2: Least developed districts, 1970
(26 out of 79 districts)

Source: Wilson 1975

Wilson attributed the reasons why districts fell into his least developed Groups 5 and 6 (mapped in Figure 2) to 'isolation' and 'poor environments'.

A decade later, de Albuquerque and D'Sa (1986) used 1979-80 data to examine 'spatial inequality' in PNG. They derived a set of indicators of development with which to group districts and to compare these findings with Wilson's studies. Their main findings were that levels of education, low child dependency ratios, urbanisation, good access to services and the proportion
of the population living in rural non-village settings were positively associated with socio-economic development. Their 'most developed' districts were located in the islands region of New Britain, Bougainville and New Ireland provinces (Figure 3). The next-ranked districts were those surrounding national and provincial centres of Port Moresby, Lae, Alotau, Mount Hagen, Wewak, Lorengau and Kerema, a spatial pattern that can be seen emerging in Wilson's Group 2 districts. Least-developed districts were located in the central western end of the country across the main mountain range from the Indonesian border east to the highlands valleys, from where they split to run down both sides of the highlands, and join again in the Owen Stanley Mountains. In the Islands Region, the south coast of New Britain was relatively undeveloped.

Figure 3: Least developed districts, 1980
(18 out of 87 districts)

[Map of least developed districts, 1980]

Source: de Albuquerque, K and E D'Sa 1986

de Albuquerque and D'Sa argued this pattern of 'underdevelopment' had come about because 'best intentioned policies for redistribution and promoting basic needs' had not been able to overcome the forces of the 'historical patterns of colonialism' and colonial development policies, the 'unequal distribution of natural resources' and the problems of 'accessibility'.

The most recent attempt to investigate development patterns in PNG was by Hanson et al. (2001) who ranked the 85 rural districts on an index of 'disadvantage' using five variables: land potential (as a measure of future development potential), estimated cash income from agriculture (from MASP), agricultural pressure (measured by population density against land quality), access to services (the estimated time required to reach the nearest service centre by surface transport), and child malnutrition (from the 1982-83 National Nutrition Survey redistributed into the 2000 districts). The spatial pattern of the most 'disadvantaged' districts is by now familiar (Figure 4): they are located along the Indonesian border in the west, to the north and south of the highlands, along the Huon Peninsula and the Owen Stanley mountains on the mainland and along the south coast of New Britain.

Figure 4: Most disadvantaged districts, 2000
(36 out of 85 districts)

[Map of most disadvantaged districts, 2000]

Source: Hanson et al. 2001

Environmental constraints, cash cropping and nutrition
For a short period in the early 1900s, environmental determinism became a popular theory. It proposed that aspects of the environment, particularly climate, influenced the psychology and intelligence of individuals which was in turn manifested in aspects of cultures and societies. One popular idea in the 1920s and 1930s was that tropical climates resulted in lazy unintelligent people with simple, even primitive, cultures, while the strongly seasonal climates of the middle latitudes, with frequent frontal activity and cold winds led to vigorous, intelligent, hard working people and complex civilisations. The reactions to environmental determinism were severe, especially after both Nazi and Communist regimes adopted deterministic ideas about race and society. By the 1950s it had become distinctly unfashionable to argue under any circumstances that the environment determined human behaviour or social outcomes. In development practice this led to project designs which ignored environmental constraints and to projects, such as Margarini in Kenya (Porter et al. 1991), which failed because the project design assumed that known severe environmental constraints could be overcome by
technological fixes. The recent realisation that global warming will have significant impacts on developed economies has given environmental influences on human affairs greater standing.

In PNG environmental determinism has taken the form of gross optimism over the capacity of the country's natural resources to drive economic development. Within the last five years critics of the slow rate of development in PNG have written of the 'rich natural resources' (Gosarevski 2004) or the 'rich agricultural potential' (Windybank and Manning 2003) when in fact 70 per cent of the total land area of PNG is not occupied by humans or used for agriculture (McAlpine and Quigley n.d). Only ten per cent of the rural population in 2000 lived and practised agriculture on high quality land, while 42 per cent lived on low quality land.3

The reasons why the environment is so important in PNG is that good environments enable people to engage in the cash economy by selling export cash crops, fresh food, firewood and betel nut. The cash earned in this way is used to purchase high protein tinned fish and tinned meat, to supplement what nutritionists have called 'vulnerable' pre-cash economy diets. A wide range of dietary intake studies in PNG in the 1960s and 1970s examined diets that had changed little from pre-colonial times and found they ranged from 'adequate' to 'grossly inadequate' (Heywood and Hide 1992). Diets based solely on PNG's starchy staples are low in protein and 'if the diet is deficient in protein quality and quantity, the protein requirement of the individual will not have been met by the time energy requirements are met' (Heywood and Nakikus 1982:331). Heywood and Hide (1992:214) conclude that before the introduction and rapid adoption of cash cropping,

Nutritional status prior to economic change appears to have been vulnerable. A major body of literature shows growth retardation, high infant mortality, late menarche, low adult stature, and low intake of energy and protein to be widely shared characteristics, especially in the highlands and highlands fringe zones.

The poorest people in PNG live in places that have a number of attributes in common, They have at least one severe environmental constraint (annual flooding, steep slopes, high rainfall, poor soils, high altitude or high cloud cover); or are on a small offshore island; or are isolated by sea or have no road connection and as a result have very poor access to markets and services; or lie across the borders of two provinces so that no province or district administration takes responsibility for them; and they have very few well educated people in positions of influence to argue on their behalf, or in wage earning positions to send remittances home. Importantly, their inability to earn cash prevents them from supplementing their protein poor diets.

A study near Tari in the 1990s (Kuchikura 1999) showed that women who earned even small amounts of cash through the sale of vegetables and pig meat in local markets significantly improved their nutritional status, especially through an increased intake of protein. Coffee production in this area was not important and the location was too far from a large urban centre for fresh food marketing to enable people to earn much cash. The study demonstrated, however, the significant benefits of using cash to purchase imported food to supplement a traditional diet of sweet potato and green vegetables. The study estimated that, to meet their minimal protein requirements from a traditional diet, people would need to eat around 1.5 times as much as they did during the survey. An optimal diet, which included purchased foods, required a household income of PNG4.40 (A$2) per week. Because of the decline in the value of the kina, the amount of cash required will now be several times that amount. Nevertheless, most of the families studied could not earn that amount of money. Some received support in the form of remittances from wage earning migrants. Elsewhere in the highlands people use money earned from sale of coffee or fresh food to purchase high protein food, usually in the form of tinned fish.

In two other related studies at Tari, the mean birth weights of 4,676 children born between 1979 and 1986 were shown to vary significantly by environment. The heaviest children were born to mothers who lived in the most productive environments and the lightest to mothers occupying the least productive environments. The poorest environments were on steep slopes, at higher altitudes, with higher rainfall, on older degraded volcanic ash soils, with poor access to markets or service centres (Allen 2002).

The second study showed that no statistically significant difference existed in the total energy expended to produce food by women in either environment. However, women in the poorer environments produced significantly less food than those in the better environments (1,300 kilocalories/ha) and cared for fewer pigs (0.6 pigs per person compared to 1.9 pigs per person). Women in the poorer environments consumed significantly less energy, protein and fat than those in the better environments, such that women in the poorer environments were in a negative energy balance. Similar results were observed for men. The women in the poorer environments were about the same height but weighed less, and had a significantly lower body mass index. They also had less body fat. It was concluded that this situation explained the significantly lower birth weights of the children born to the women living in the poorer environments observed in the first study. Low birth weight is an important risk factor in infant mortality and directly influences postnatal growth (Heywood and Norgan 1992).
Conclusions

We have attempted to provide a picture of the pattern of poverty in contemporary PNG and to show how it is closely associated to the quality of the environment. We have concentrated on the relationships between poor environments, poverty as expressed by low cash incomes and malnutrition in children and have not pursued a number of other dimensions to this problem. In conclusion we make a number of points that we believe could improve the situation, while emphasising that solutions will be long term and will involve on-going learning and consultations with poor people.

It is very important that the phrase ‘rural development for poverty alleviation’ is not used without qualification when the PNG situation is being referred to. If ‘rural development’ is taken to mean improved agricultural production, increased cash incomes, improved infrastructure and improved supply of services then it is unlikely to bring about important changes in PNG’s poorest areas, where conditions have not changed significantly since colonisation. Wilson in the 1980s and de Albuquerque and D’Sa in the 1990s both argued that the ‘environment’ and consequent ‘isolation’ were the primary causes of the under development that they identified. de Albuquerque and D’Sa suggested that rural development initiatives had been unable to ‘overcome’ these constraints. We believe that situation persists today, severely exacerbated by what Baxter (2001) terms a ‘failure of governance’. This latter factor must be explicitly recognised so that projects are not designed that critically rely for success on the performance of provincial and district governments.

A second need is to develop the means of delivering basic and effective health and education services to poorest area. Incentives could be offered for teachers and health workers to live and work in very isolated areas accompanied by some means of ensuring that they actually deliver the services. Incentives might be, for example, salary loadings or direct financial assistance with the costs of educating their children.

A third area to explore is innovative ways of increasing cash incomes in poor areas. Marketable commodities with high value-to-weight ratios are required that can bear the costs of air transport; certain spices, for example. Such an initiative will involve private enterprise, because all known examples of government involvement in marketing of agricultural products in PNG have ended in disappointment.

Finally, there is clear evidence of a national pattern of migration in PNG in which people are moving from the poorest areas to better off areas and of rural-to-rural and rural-to-peri-urban migration becoming at least as important as rural-to-urban migration. People from the poorest places should not be discouraged from migrating to better off places. It would be best if, before migrating, people could be well educated to Grade 6 level and were able to proceed to secondary and even tertiary education elsewhere, or could find gainful employment. In the meantime, the way that migrants are treated at their destinations should be reviewed. Many rural-to-urban migrants are forced to live in informal settlements around the edges of towns, and are stigmatised and blamed for high crime rates. Some are subjected to illegal forced removal and the destruction of their houses by province administrations. On the other hand, there is anecdotal evidence that many rural-to-rural and rural-to-peri-urban migrants adjust well to their new lives, and that they can earn reasonable incomes and educate their children. Despite often poor housing and sanitation, they see themselves as being better off closer to markets and health and education services than they were in their distant and isolated home lands.

Notes

* This and all subsequent emphases added.
1. These data are no longer available. The advent of provincial government in PNG has resulted in very little information about rural conditions or service delivery reaching Port Moresby.
2. This is a reference to colonial policies which encouraged development in the best environments and redistributed the wealth created from these areas to underdeveloped areas. These policies were only partially successful before Independence (see also Brookfield with Hart’s observations) and failed after Independence when the political representatives from better off places refused to follow redistributive policies.
3. Land quality assessed on altitude, flooding, slope, soil, annual rainfall and cloud cover and constraints to the production of sweet potato.

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'Money rain':
Indigenous engagement with business models
in Papua New Guinea

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Introduction
The term 'money rain' (mani ren in Tok Pisin) is widely used to
describe the situation in which communities around large-scale
resource developments in Melanesia find themselves. The term
was first coined (to my knowledge) by Alan Carpenter and
Donal Flanagan, at the time working in the area of business
development around the Porgera mine in Papua New Guinea.
It is an expression which captures neatly the sense that
communities have of being awash with money, money that is
easily obtained (from what economists label 'resource rents')
and is closely linked to issues of dependency, consumption, and
a lack of interest in developing productive business operations
(among other things). It is this last issue — the development of
‘business’ around large-scale resource developments in Melanesia
— that will be addressed in this paper.

The focus, then, is not of ‘addressing poverty’ but rather in
dealing with some of the effects of the exact ‘development’ (albeit
hyper-development, see Banks 2005) that most communities
in the region are seeking to achieve. This paper presents material
on ten years of business development at Porgera to argue that
rather than being a ‘failure’, Porgeran engagement with new
economic opportunities is revealing in terms of the ways in which
Melanesian cultures articulate with modern business. While the
penetration and availability of global capital at Porgera is more
intense than elsewhere, the Porgeran business sector is best
understood as a set of local processes which are concerned with
the capture and cooption of resources for on-going, strongly
localised agendas. These processes have broader implications in
terms of efforts to promote ‘local economic development’
elsewhere in Melanesia and the region.

The paper begins by providing a brief introduction to the
Porgera setting, then looks at mine-related business contracts
before dealing with the local business sector more broadly and
the issue of rationality in explaining economic behaviour at
Porgera.

The Porgera setting
The Porgera gold mine began construction in 1989, and
production commenced the following year. It entailed a US$750
million staged investment by a consortium of Australian and
Canadian multinational miners, with the Papua New Guinea
state originally as a ten per cent minority shareholder. It is a
relatively high-grade gold mine in the centre of the Highlands
of Papua New Guinea, which in 1992 was the world’s third
largest gold producer. In 2005 the mine produced 846,000
ounces of gold, making it one of the largest gold producers in
Papua New Guinea and Australia. Total production since 1989
is in the order of 12 million ounces of gold, worth more than
US$4.5 billion. After a series of corporate restructures and
mergers over the life of the mine, Barrick Gold Corporation, a
Canadian mining multinational, is now the major (75 per cent)
shareholder and operator of the mine. The mine plan has recently
been revised and currently envisages another seven years of open-
pit and underground mining and up to five years more of
working stockpiled material before mine closure around 2020.

The mine is located in and among the Porgeran Ipili people,
a relatively distinct cultural group, and part of a much wider
regional group of cognate cultural groups that includes the much
more numerous Huli to the south and Enga to the east (Biersack
1995). The Ipili cultivated links with these other groups through
marriage, exchange and trade, building networks for security
(food and physical) and accumulation. The Porgeran Ipili were
shifting cultivators, with a sweet potato and pig based subsistence
system. Today sweet potato and pigs are still central to agriculture
in the valley. Pigs are still used widely in exchange ceremonies,
compensation payments, and in bride wealth payments.

The mine has brought profound changes to the local Ipili,
documented extensively elsewhere in Golub (2001) and Jackson
and Banks (2002). During the lead-up to the start of the mine
Ipili representatives forcefully negotiated a series of agreements
with the state and the mining company that have delivered
significant benefit streams to the mining lease landowners (EPG
and Derkley 1989; Jackson and Banks 2002). Since 1990, the
Porgera landowners have received K36 million in royalties, K62
million in compensation, and K26 million in equity-related
payments and dividends. This totals K124 million, but does
not include a proportion of royalties paid to a trust fund (for
educational purposes) or a proportion of equity-related payments
that has been invested in real estate. Over the same period, approximately K167 million has been paid to Porgerans as wages, which represents around 57 per cent of the direct financial benefits received by landowners' (Finlayson 2002:36).

Business contracts at Porgera, 1994-2004

One of the most frequent conditions from resource development landowners in Papua New Guinea is for ‘spin-off’ businesses, largely contracts. Demands for all contracts to go to locals are common, although the usual compromise position is for a local to receive preference for all contracts where they have the resources and experience to carry them out. This was the solution adopted at Porgera, where the relevant clause (Clause 13) in the agreement between the state and the landowners stated that:

Preference in Business:

The National Government undertakes to include in the Mine Development Contract (MDC) clauses which specify preference to firstly Porgerans and secondly Engans in the tender process for the supply of materials, equipment and services to the mine, subject to the tenders meeting the specifications of the tender, being competitive in cost, and meeting the delivery requirements of the project. The MDC also to include clauses requiring, within nine months from the issue of the SML, a business development plan to encourage the people of Enga, with preference to Porgerans, to establish businesses to supply materials and services to the project, and for the monitoring of the progress of the implementation of this plan (EPG and Derkley 1989:12-13).

Only the second part of this clause actually found its way into the MDC (as Clause 14) between the company and the state; nonetheless the company has consistently sought to apply a local preference in the awarding of contracts in line with the above clause. Such a policy potentially has benefits for all the key parties, promoting local economic development, securing long-term local contractors for the mine, and facilitating a closer relationship between the mine and the community.

Between 1989 and 2004, the PJV issued more than 10,000 contracts worth more than K195 million to local ‘Porgeran’ businesses or individuals. By the standards of any community of 20,000 people, this is a significant number and value of contracts, and, if taken at face value, should have formed the basis for a vibrant and profitable business sector. That this has not occurred is due to several factors, including the way in which the contract numbers are assembled, and the changing cultural value of a contract within the Porgeran community. In terms of the numbers, the reporting of contract values for Porgerans by the PJV includes the full value of any contract in which Porgerans operate either singularly or as a joint venture partner. A significant number of large contracts were obtained by Ipili Porgera Investments (IPI), the formal landowner business entity, as a minority joint-venture partner. These included, at least initially, the catering contract for the mine, and freight and fuel contracts. In this way, then, the reported value of the contracts significantly overstates the value of the contracts to Porgerans. At the other end of the spectrum, the bulk of the 10,000 contracts issued to Porgerans are what are referred to as ‘field contracts’ — small, labour-only contracts for tasks such as tree-planting or gabion-basket filling. These contracts provide no basis for the development of small-business due to their low value and labour-only nature.

Initially (1989-1991) there was a huge enthusiasm for contracts and, during the construction and initial production phases of the mine, plenty of contracts to be had. Two of the most common and sought after were the ‘bus contracts’ (primarily for the transport of employees from the mine site to the mining camp at Suyan) and ‘plant hire’ contracts (for the hiring of machinery for construction, road maintenance, etc.). Both of these, and most other forms of contracts, allowed Porgerans to secure a bank loan to purchase the equipment (bus, machinery, etc.) required to carry out the prescribed work. By the time the first survey of contracts and contractors was undertaken in 1994, enthusiasm had turned to disappointment and frustration for many (Banks 1999) as it had become clear that contracts required time, discipline and management to simply break even in the Porgeran operating environment. Few local contractors had either the skills or the inclination to operate in this way, and a PJV contract was seen as holding more status than monetary value.

By 2004, with the exception of an incredible growth by IPI (based in large part on several lucrative joint venture contracts) there were very few Porgeran contractors (Banks 2004). The local construction arm of the Government, the Porgera Development Authority (PDA), reported the same: the closest they had to any Porgeran contractor was a Korean who had married a local Porgeran woman. The reason for this appeared to be simply that Porgeran businessmen (and a few women) had found other sources of money that required less effort, less risk and provided better returns than a PJV contract. There was certainly a lot less local demand for more ‘spin-off’ businesses from the mine as other agendas and demands had taken over. Those contracts that were held by Porgerans were regarded more as a ‘cash cow’ than a stepping stone into business: indeed a number of the Porgeran bus contracts were acquired by a Porgeran then simply leased (for a nominal sum) to non-Porgerans to operate: Porgerans became simply a ‘rent extractor’ of a different kind.

The Porgeran business sector, 1994-2004

A survey in the valley in 2004 found that non-mine supported businesses easily made up the highest proportion of local
businesses, the most common of which were the ubiquitous trade store and gold buying businesses. What was striking was the very limited range of business types in the valley, and the enormous increase in the number of trade stores from the 1994 survey, with total numbers going from 270 to 422 over the ten year period.

The scale of the business was an important determinant of a range of operating parameters. The difference in scale was marked: turnover in the larger stores (almost all located on the old Porgeran station) averaged around K15,000/day, while the smaller stores averaged less than K200/day. All the larger stores were being operated by non-Porgerans; a far greater proportion of the larger stores were open at the time of the survey (50-66 per cent of stores in each part of the valley were not operating in 2004) and the operating stores (like PJV contracts) were overwhelmingly non-local; the smaller stores purchase stock locally while bigger businesses buy stock from Mt Hagen; and only the larger stores employed non-kin staff. There was also evidence of a high turnover by the non-Porgeran owners of the larger stores, with only one of ten of these owners having been there for more than three years.

A number of points can be taken from this brief general survey. First, the investment in trade stores in the valley represents a significant application of capital but failure of imagination, with the status value of a business continuing to outweigh the monetary returns (if any) that are derived from it: bisnis is not business. Related to this, the bulk of any earnings from the business is consumed rather than reinvested. In this sense, business — contract or trade store — is not regarded as a source of capital accumulation for Porgerans, and there was very limited evidence of long-term planning by business owners. This raises the question of the role of bisnis or business in the local socio-political environment, a question addressed below by asking to what extent local businessmen are acting as ‘rational economic agents’.

Rational economic agents?

One of the basic requirements of the modernist development project is for rational economic agents — for people in developing countries to shed the cultural and social traditions that restrict their commitment to economic development. While now dressed in new language, the basic tenets of development neo-liberal style are still discernable: a desire for development assumes the will and the resources to become unfettered, credit card carrying members of the global economy. Under such a model, the 18 years since the start of the mine should have seen the growth and development of a local Porgeran business sector dominated by locals who had reinvested profits from their early contracts and businesses into the growth of a vibrant and sustainable local business community. And it has happened — in a very small minority of cases (PJV being the outstanding example). For the most part, though, there is NO locally-owned business sector at Porgera. Local entrepreneurs have not reinvested capital and profits into their fledging empires. It appears, to use the old dichotomy, that local culture has limited economic development.

An alternative, and I believe much more useful, lens would be to reject a simple culture/economy distinction. In terms of their local political economy to use another old-fashioned term that acknowledges the socially and culturally embedded nature of all economic activity. Porgerans are acting totally ‘rationally’. Two examples will serve to illustrate this point: the location of commercial activity in the valley and a Porgeran-specific view of comparative advantage.

The centre of economic activity in the Porgera valley continues to be the old Government station site (Porgera Station), well away from the new township built by the Government and the company at Paiam. Despite the fact that Paiam has all the infrastructure of a modern town (magnificent hospital, schools, warehouse facility, police station, huge and impressive AusAID-funded market place, Government offices, freehold land) the commercial centre of the valley remains at Porgera station which is disorganised, has had leases resumed by landowners, is subject to frequent civil disturbances and tribal fights, and has no significant Government presence.

This makes little sense from outside. From within the community, Porgera Station continues to be a preferential local economy because it is closer to the source of most of the money in the community (the mine, its workforce, and the major areas of alluvial gold), it is more familiar and, in part at least, precisely because it is less organised and regulated.

Secondly, the description of the local business environment above indicates that Porgerans have identified a form of comparative advantage for themselves as rentiers: as rent extractors rather than business and contract owners or managers. Finney (1987) found around Goroka that the greatest pressures on local entrepreneurs were the claims of kin on the proceeds and goods from the business. The Porgeran situation is much the same: visible success (such as a vehicle, or a business) marks a person as one who should be distributing and sharing the proceeds of their business (or other gains). Hence there are real cultural, political and economic pressures on and risks for Porgerans who commit to the growth of a local business; rent extraction based on their position as Porgerans (and hence landowners and recipients of preferential employment and business opportunities) in this sense involves far less exposure to risk.

Proceeds from such activities tend to be utilised in two ways, which again underline both the ‘embeddedness’ (Curry 1999) of local economic activity and the ‘rational’ nature of such
behaviour. The first is to plough the proceeds back into traditional forms of exchange and reciprocity — investing in the cultural realm. While expenditure on compensation and bride price, and distribution to family and kin, tends to be frowned on by state and corporate actors as 'waste', the Porgeran reality is that these forms of 'consumption' feed into systems and structures which still dominate social, cultural and economic life for most Porgerans. The second response, again a rational one in the context of the socio-political environment, is to utilise funds earned at Porgera for investments outside the valley. This has been a large part of the successful strategy of IPI from the late 1990s, and has been pursued by significant numbers of individuals drawing on compensation payments, royalties, dividends and business proceeds, paralleling the approach of the more successful Gorokan businessmen interviewed by Finney (1987). Such a strategy is likely to be common through much of the rest of Melanesia, and raises questions about the efficacy of aid and development efforts that are overly focused on 'local' outcomes: successful projects may generate 'extra-local' income earning activities rather than 'sustainable local' ones which are more exposed to local disruptions and claims.

**Conclusions**

People at Porgera, both inside the company and inside the community still talk about the desirability of business, or at least bisnis, but there appears to be growing recognition from all sides that the term is understood differently. It is in a sense a form of mutual misunderstanding, with Porgerans seeing business as a way to feed resources into local systems of exchange and reciprocity, while the state and corporate view of 'business development' is still focused on a capital accumulation model. 'Money rain' is a significant constraint on the development of Porgera's economy and to ask what roles the current local form of economy and reciprocity, while the state and corporate view of 'business development' is still focused on a capital accumulation model.

**Note**

- Much of the fieldwork on which this paper is based was carried out as part of the Porgera Social Monitoring Programme and subsequent studies, funded by the PJV. Thanks to Greg McNee, Michael Blakeney, Donal Flanagan, Bill Munro, Mark van Duse, Tim Omundsen, Kenn Logan, Ken Vinicin, Roland Albrook, Kelly Talia, Noel Wright, Noel Walters, Kai Lavu, Bob Cogger and Charlie Ross (PJV) for their support and insights at different stages, and to Sam Adam (General Manager, PDA), Geoffrey Dia (District Administrator), Mori Iarume (District Business Development officer), George Poio (Porgera District planner), Morep Taro, Jonathan Paria and Kunbu Ipara, for discussions and access to materials. Thanks also to participants at earlier presentations of this work in Canberra (ADFA, ANU and Addressing Poverty Conference), Dunedin and Marseille for constructive comments and feedback.

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Poverty in a coastal community: Economic causes and mitigating strategies

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Introduction

This paper is based on findings of research conducted in Barakau village, a coastal Motuan village situated about 40 kilometers southeast of Port Moresby, PNG. The research informed a pilot project carried out under the auspices of the International Waters Programme (IWP), a seven year programme aimed at developing and implementing measures to conserve, sustainably manage and restore coastal and oceanic resources in Pacific Island countries.

For PNG, the IWP assessed priority environmental concerns and ranked them in terms of severity, as follows: waste management, protection of freshwater quality and sustainable coastal fisheries (IWP 2003). A proviso for villages wishing to join the pilot project was that the environmental issues in their respective villages correspond to the IWP’s focal areas, and preferably in the same order of importance. Barakau was among the 60 villages that responded and this paper will focus on the sustainable coastal fisheries component of the research conducted for the village project.

Barakau

Barakau is about 30 minutes drive from Port Moresby and has a population of 1,500 people. Like most Motuan villages, 40 per cent of the houses are built over the sea. The following issues were highlighted in Barakau village’s proposal to the IWP: declining coastal and marine resources and improper waste disposal, and their impacts on health, environment, livelihoods and poverty. Sustainable coastal fisheries and waste management were the two focal areas adopted by the pilot project.

At the onset, most villagers identified among their community a general lack of concern for the environment, declining fish catches and problems with waste management. There were no informal rules governing these issues; laws relating to issues such as dynamite fishing were not adhered to; nor were national waste management regulations, largely due to ignorance. There was, nonetheless, an apparent level of environmental awareness as the project received overwhelming support.

Most of the coral reefs around Barakau village are barrier reefs hosting wide coral diversity. There has been very little study of the health of the reefs around this part of the coast but local fishermen say at least a fifth of the reef has been destroyed through dynamite fishing, use of derriers and canoe poles. The seagrass beds, an important habitat for many marine species, are also reportedly lowering in density and local fishermen attribute this to the use of motorised dinghies during low tide. Mangroves dot the local coast line, though much of this within the village area has been removed to make way for houses. Very little research has been done on the impact of mangrove depletion in PNG.

Declining fish stocks around Barakau can be linked to rapid population growth and increasing demand for cash income as a result of rising school fees, goods and services. These factors have led to an increase in subsistence and artisanal fishing activity. The same pattern has been observed in other coastal communities of PNG (see Mitchell et al. 2001). In Barakau, at least half of the households indicated that they were unable to pay all of the local community school fees in 2004 and some households frantically harvest beche-de-mer during the legal season (November-February) in a bid to meet school fee obligations.

Subsistence and artisanal fisheries are, by their nature, difficult to manage and regulate and given the mounting anecdotal evidence and the uncertainty posed by the lack of reliable data, a precautionary approach based around communities was deemed to be appropriate for the pilot project. Experience in other countries (Lal et al. 2004; WRI 2005; Tisdell 1992; Tawake and Aalbersberg 2002) suggests that sustainable management of these fisheries is best achieved through a combination of agency regulation and community-based resource management through awareness programmes and local skills development programmes. This approach calls for the engagement and empowerment of the local fishing communities to monitor and manage their own local fisheries resources in a more sustainable manner. Communities should be aware that poverty is perpetuated through the destruction of their own ecosystems (WRI 2005).

The research

The general objective of the study was to identify the root causes of declining stock levels and then through a participatory approach allow the community to formulate mitigating strategies. The specific objectives were to:
1. evaluate the level of awareness of Barakau villagers on the importance of coastal marine resources in ensuring sustainable catch levels;
2. obtain socio-economic data;
3. identify the root causes(s) of declining stock levels through a participatory problem analysis (PPA) approach;
4. identify why some households may not be willing to participate in the problem analysis and solution formulation phase of the study;
5. formulate coastal resource management strategies through a participatory solution formulation (PSF) approach; and
6. develop implementation and monitoring strategies.

Primary data on the socio-economic characteristics of Barakau residents and the questions above were gathered through interviews involving a questionnaire and focus group discussions. The response level was very good indicating that most households were concerned about coastal fisheries. Only nine out of the 159 households refused to be interviewed because they did not agree with the way the surveys were conducted or simply did not wish to be involved at all. Secondary data was gathered from the National Statistical Office and other sources.

Survey results
The household survey covered 1,347 people (693 male and 654 female) living in 159 households, with an average household size of 8.25 people (there were 29 people in the largest household). The average age was 25.

The survey showed that in 106 households at least one member was in paid employment. The mean household income from all sources was about K195.50 per week (A$88) and about 39 per cent of the households earned at least K200. More than half (91) of the households were active in fishing, and almost 80 per cent of these depended on fishing as a source of subsistence and income. All of these households used modern fishing gear such as fishing nets, underwater torches, flippers, fishing lines, and hooks. Twenty-one households active in fishing owned an outboard motor and dinghy (mostly fiberglass ranging from 14-21 feet in length), 10 owned a dinghy, outboard motor and dugout canoe, 19 owned only a dinghy, five owned only an outboard motor and 18 owned only a canoe.

Fishing practices included net fishing (various sizes, mainly cast nets), day and night diving for reef fish, hand-line fishing, diving for beche-de-mer and trochus, near shore and reef gleaning, low tide spear fishing by canoe using kerosene lantern/torch during the night, reef fish fishing using derries, dynamite fishing, seasonal spear fishing by motorised dinghy during the night using high powered torches, and trawling for tuna and other deep sea fish. One family indicated that it had equipment for catching turtles. Near shore and reef gleaning is mostly undertaken by females whereas other fishing practices are mostly performed by males. In the survey, no households admitted to using dynamite for fishing in the last three years, however, during discussions it was revealed that certain fishermen consistently used dynamite.

A few of the households were aware of formal rules such as the ban on dynamite fishing. Some fishermen who used dynamite were not aware of this law. No informal rules (traditional or customary) in relation to resource use existed in the village. The only informal rule that has always been practiced was restraint shown by village people not to go fishing, hunting, or do gardening or other such activities during a death ceremony.

The survey showed that at least 85 per cent of fishing households had experienced falls in catch levels. The reasons they gave were:

- Population pressure
- Use of small nets
- Change in weather, sea
- Overfishing due to big nets
- Habitat destruction due to removal of mangroves, noise and oil splits from outboard motors and use of dynamite
- Too many new/improved fishing methods
- Outboard motor problem, increase in fuel and spare part prices
- People catching very tiny fish/invertebrates
- Use of derrie
- Coastal pollution due to human waste and solid waste
- Equipments under repair (motor/fishing nets).

Note that none of the households indicated that the most probable causes were:
1. Their ignorance of formal institutions such as the Fisheries Management Act 1998 specifically provisions related to dynamite fishing, and the beche-de-mer fishery management plan.
2. The absence of informal rules in the village related to fisheries management.

Participatory problem analysis and solution formulation
After the surveys were completed, the community was taken through the PPA and PSF process to work out measures of managing their coastal fisheries. Everyone was encouraged to contribute ideas towards this issue using the 'why and if' approach (Mahanty and Stacey 2004). These sessions ran from early October to mid-November 2004 and, using the information from the surveys and the PPA plus PSF sessions, a Remedial Action Plan was finalised by the end of November 2004.
The Local Project Management Committee (LPMC), which oversees the implementation of the project in the village, has members from across the community to ensure equal representation and maximum participation. Each member is required to serve as a medium of information exchange between the LPMC and the group he or she represents.

Three sessions were held with the LPMC. During the meetings, reference was made to the Barakau Ward Development Plan (HDA 2003). The identified causes of declining fish stock were similar to those indicated in the survey; however, the LPMC recognised that the communal ownership of the resource was really a root cause of the problem.

The committee noted that initial awareness of a need for corrective action was paramount and this should be followed by demonstration and training sessions on what needs to be done. These could then be backed up by effective monitoring, as well as regulatory and enforcement arrangements. They noted that the solutions should be practical, affordable and sustainable over the long term. Any assistance on alternative income generation would be a bonus, as it would relieve pressure on the extraction of marine resources.

Focus group
This 20-person group was comprised mostly of the highly educated elite of Barakau, and included a separate women's and a men's group. The group highlighted short, medium and long-term activities and outputs on sustainable coastal fisheries. These are outlined in Table 1. They also stressed that appropriate arrangements should be put in place and additional funding should be sought to ensure the continuation of project initiatives.

Table 1: Barakau focus group results

<table>
<thead>
<tr>
<th>Period</th>
<th>Sustainable coastal fisheries</th>
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<tbody>
<tr>
<td>Short Term</td>
<td>• Regulations</td>
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<tr>
<td></td>
<td>- size restrictions</td>
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<tr>
<td></td>
<td>- mesh size / hook size</td>
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<td></td>
<td>• Enforcement</td>
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<td></td>
<td>• Education and Awareness</td>
</tr>
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<td></td>
<td>• Mangrove rehabilitation</td>
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<td></td>
<td>• Seagrass rehabilitation</td>
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<tr>
<td>Medium Term</td>
<td>• Marine protected areas</td>
</tr>
<tr>
<td></td>
<td>• Resource management plan</td>
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<tr>
<td></td>
<td>• Education and awareness</td>
</tr>
<tr>
<td>Long Term</td>
<td>• Alternative income generation activities</td>
</tr>
<tr>
<td></td>
<td>• Identify markets</td>
</tr>
<tr>
<td></td>
<td>• Fish / Seaweed farming</td>
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</tbody>
</table>

There were gendered differences in the results. The women's group expressed concern over the improper disposal of solid waste, pig faeces and human waste. They agreed that lack of planning and enforcement of regulations in relation to waste disposal caused people to discard waste carelessly. They proposed a monthly cleanup of the shoreline as part of the village council activities. The women also stressed the need to replace mangrove firewood for cooking. One suggestion was for the use of newspaper mulching blocks as an alternative fuel for cooking and the project team was asked to obtain relevant information from appropriate sources. The older women called on the younger women to teach their children proper waste disposal methods and be more vocal on the importance of having a clean environment, especially along the shoreline.

Attendance at the men's meeting was not as favourable as the women's, due to time and venue clashes with other village activities. Some of the men admitted that due largely to ignorance, their input in the project had hitherto been minimal. It was agreed that the need for awareness on the project aims and objectives was critical as it would enable the people to understand what was required and challenge them to take part in project activities. The men endorsed the outcomes and activities regarding sustainable coastal fisheries as proposed by the LPMC and expressed their support in the implementation of activities in 2005.

Implementation
The following project outputs were agreed upon: establishment of marine protected areas (MPAs), introduction of regulatory mechanisms and resource management plans, and the protection of significant/critical habitats. In order to achieve these outputs, it was agreed that a resource management committee be established. A University of Papua New Guinea Environmental Science honours student was sponsored by IWP PNG in 2005 to carry out a coastal resource inventory, identify resource boundaries and then recommend suitable locations for MPAs.

Some regulatory rules have been developed and these include a total ban on dynamite fishing, on the use of small size nets and on the removal of mangroves for house construction. To enforce these rules a couple of rangers were appointed on a voluntary basis and a system of voluntary reporting by community members was agreed upon. Because a resource management committee has not yet been established, the LPMC will play this role in the interim. Very little activity took place in 2006 for various reasons including village politics. It is envisaged that activities will gain momentum in 2007.

Conclusion
Declining marine species diversity due to unsustainable extraction methods and destruction of critical habitats is a common problem in Pacific Island countries and were identified in Barakau. This study demonstrated that coastal communities
such as Barakau village can be assisted in identifying root causes of these problems and in formulating solutions using a participatory approach. This study also showed how the community can be empowered to manage their resources through a combination of agency and a community-based resource management approach.

The villagers now apparently realise that poverty was self perpetuating because of the overexploitation and destruction of their ecosystem. Chronic poverty has been observed in at least 30 per cent of the households and another 30 per cent were observed to be struggling to meet daily subsistence. The community also recognised the importance of the development of mitigating strategies to combat and alleviate poverty.

What remains to be realized is a full implementation of the solutions identified above. Nonetheless, it is hoped that the project can be replicated in other coastal communities in PNG with the success and failures learned from this pilot project.

**Note**
1. *Derrie* is a root used by fisherman to poison fish.

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The 2006 White Paper on Australian Aid released by the Australian Government has a focus on poverty but has little detailed analysis on how such an attack on poverty might occur. Like its predecessors (Jackson 1984; Simons 1996) the emphasis is not on targeted approaches to poverty alleviation but on the promotion of economic growth as the main driver. This emerges from a neo-liberal view that high growth rates lead to poverty reduction. This view, however, has been under much scrutiny over the last decade or so (Jha 2000; Ravallion 1997; Ravallion and Chen 2003) in favour of more nuanced approaches that deal directly with the issues of marginalised groups, growing inequality and the rural-urban divide.

The White Paper strategy pivots on four key themes — accelerating economic growth, fostering effective states, investing in people, and promoting regional stability — all within a context of promoting greater gender equity (AusAID 2006:iii). In practice the focus on economic growth will involve removing what are seen to be barriers to it: land tenure arrangements in the Pacific, infrastructure more generally, and the need to build a skilled workforce. In the area of governance the focus will be on leadership, promotion of reform, anti-corruption, and an integrated approach to law and order. The stronger investment in people will be through promoting both better health (particularly in addressing the HIV pandemic) and education, including a doubling of scholarships to Australian higher education institutions (AusAID 2006:xiii).

While these initiatives are useful and can contribute to long-term poverty reduction, the question remains as to the extent that this will occur. What is missing in the White Paper and the associated Core Group Recommendations is a broad analysis of the drivers of poverty in the Asia-Pacific region and the associated changes in poverty profiles in the key countries that the aid programme should focus on. The Core Group report itself notes that, 'Inequalities are also emerging within national borders ... fast economic growth has brought significant development and social challenges and ... [there are] sharp rises in rural and urban inequality' (AusAID 2005:6-12). In the end, however, the White Paper settles for 'policies and programs to generate increases in aggregate growth and, [only] in special circumstances, target groups and regions that for whatever reason are not benefiting from broader growth gains' [emphasis added] (AusAID 2006:35).

The nature of poverty

While there has been a marked fall in the level of poverty in some countries over the past few years as a result of relatively strong economic growth, it has been varied and begs the question of whether high growth rates alone can bring sustained poverty relief. For example, poverty levels in India have been falling at around one per cent per annum since the early 1970s in eras of both low and high growth rates, and both closed and open economic policies (Ravallion 2002). The total number of people living in poverty had increased in the decade to 1998, and in many countries the percentage fall in poverty is small, leading to the phenomenon of jobless growth as an emerging challenge (Chen and Ravallion 2001:9). This paper will focus on four factors affecting the seemingly intractable issue of severe poverty: its dynamic nature, rising levels of inequality, increasing vulnerability, and the widening rural-urban divide.

Poverty is dynamic in that people are continually moving in and out of it. For example, in a study of 36 villages in India over a 25 year period 14 per cent of households came out of poverty and 12 per cent of households fell into poverty; in all, 26 per cent of households experienced changes in their poverty levels (Krishna 2006). There are similar examples from Pakistan and China (Baulch and McCulloch 2002; McCulloch and Calandrino 2003). Given this dynamic, the most appropriate policy response would be to target interventions that increase the number of people coming out of poverty, and decrease the numbers going into poverty. These often require quite different policy responses, for example in the case study from India, high rates of agricultural growth led to more work for the poor and people came out of poverty; while in Pakistan education had little effect (Baulch and McCulloch 2002). The point emerging is that there is no simple blueprint or silver bullet to overcoming chronic poverty, but rather any responses must be nuanced to meet local needs (McKay and Lawson 2003; Baulch and McCulloch 2002; McCulloch and Calandrino 2003).

Another area is the rural-urban divide in poverty levels: in China, for example, 70 per cent of rural households are expected to have a fall in real income in the period 2001-2007, while less
than ten per cent of urban households will be adversely affected
(Ravallion 2006). The urban-rural income gap is such that urban
people experience income levels three times higher than rural
people, and if we break this down by gender women are by far
the worst off. Rural-urban migration is not enough to deal with
this — poverty has to be dealt with where it is found, through
investment in rural areas. For example, investment in rural roads
pays for itself three times over due to the resulting increase in
rural incomes (DFID 2005:22). A one per cent increase in
agricultural yields reduces poverty levels by one per cent due to
the rise in rural wages (Uphoff 2003). Despite this and other
compelling evidence, the AusAID White Paper has little to say
about rural development (given that this is where the poor are)
beyond a note on the role of the private sector in rural
development (AusAID 2006:xii).

The key element of the poverty story that these cases show
is rising inequality, for example, from 1981-1995 in rural China
the Gini coefficient increased from 0.239-0.340 (Renwei and
Shi 1997). Growing inequality can also be found in Pacific
countries as well as the larger Asian states: of the countries that
receive priority in the AusAID White Paper, PNG is worst
ranked with a Gini coefficient of 0.506. The quality of economic
growth and the notion of pro-poor growth are important: factors
in dealing with rising inequality. For example, in China while
the growth rate for the decade 1990-1999 was 6.2 per cent
overall, for the poorest households it was only three per cent
(Ravallion and Chen 2003). What is generally agreed is that
high levels of inequality are a brake on poverty reduction in
periods of economic growth (Ravallion 1997). Also worth noting
is that there is a link between growing inequality, rising insecurity
and global violence (Wade 2001; Li and Schwab 2004), all of
which are important for Australia's national interest, and so are
relevant to the White Paper discussion.

**AusAID's approach to addressing poverty: A way forward**
The Australian aid programme has been grappling with chronic
poverty in developing countries since the Jackson Report in
1984, but generally it has taken the view that growth is the
most effective way to deal with poverty rather than directly
targeted programmes. The White Paper avoids mention of
targeted programmes to the poor or a rural focus through a
targeted poverty reduction strategy, but rather focuses more on
growth where it identifies governance issues and property rights,
reducing conflict, and macroeconomic stability as key drivers
in the aid programme (AusAID 2006). The approach taken by
the White Paper is very limited and there has been little change
in the actual poverty focus over the past two decades. As a way
to more sharply address poverty, this paper suggests a focus on
key themes based on the Millennium Development Goals
(MDGs) though informed by the key criticisms of these goals.
The framework I would suggest is one that is based on:

- a sharper country poverty assessment that is based
  on analysis of the depth and spread of poverty and
  the nature of social exclusion in particular
  contexts;
- an investment in building the capabilities of the
  poor through more programmes directly targeting
  the poor;
- a rural infrastructure support programme that
  recognises the important role that governments
  play in developing and maintaining rural
  infrastructure, which is essential for creating
  economic growth in agriculture and for providing
  jobs and higher wages for the very poor, who are
  usually found in rural areas; and
- an approach to aid delivery that focuses on
  downward accountability to the beneficiaries, in
  this case the poor, and thus having programmes
  that are more inclusive and relevant.

The lesson from recent studies on the nature of poverty is
that it is nuanced and affects different people in communities
differently (such as women and religious and ethnic
minorities), and that people on the margins regularly fall in
and out of poverty. The current AusAID poverty analyses that
are contained within country strategy papers provide an
overview of where the poor are but little information on who
the poor are and why they are poor (see, for example, AusAID
2004). All country programmes should be able to demonstrate
a greater focus on marginalised women and minority groups,
how they are differently affected, and some analyses of the
factors that restrict their capabilities and block their broader
participation. From this the emerging focus would be to
strengthen the capabilities of the poor to reduce their
vulnerability to falling into poverty.

The second question then, is what activities to implement
in a particular context. While it is important to work only on a
few themes such as those outlined in the White Paper, it is also
important to recognise that any approach that targets poverty
should be relevant to a particular situation. So if it is recognised
(which it usually will be) that women and minority groups such
as indigenous people are the very poor (Mehta and Shah 2003)
then the approach used should be one that is aware of their
particular needs, whether it these are health and education, but
also, for example, in governance such as the poor's participation
in local community processes. The overwhelming evidence is
that the poor and most vulnerable are in rural areas, and that
investments in rural infrastructure and production will directly
affect the poor in these areas, reduce urban migration, and see a
much quicker set of outcomes in terms of MDGs (Fan, Chan-

In terms of approaches to aid it is important to recognise how procedures influence behaviours (Chambers and Pettit 2004). At a practical level, then, greater participatory processes would be required so that the affected communities have a greater role in programme design and activities; this is not only important for relevance reasons but in itself is an empowering process (Kilby 2006). This would necessarily lead to a re-think of the planning tools used in aid projects, with a focus on 'principles, direction and process' and less on outputs and indicators (Chambers and Pettit 2004:148).

Conclusion
This paper has outlined a few key issues that emerge from the White Paper and the direction the Australian aid programme should take in its poverty approach. The key issue is the lack of nuanced analyses of poverty that recognises key elements including growing inequality, the rural-urban divide, vulnerability, and the role of marginal groups. The key point being made here is that a dependence on high growth is not enough and in some circumstances can be counterproductive. A more nuanced approach is required from AusAID that recognises that sharper targeting is required to reach the very poor, and the sectors in which they are found.

From a practical point of view this would mean a focus on rural areas that goes beyond the private sector pointed to in the White Paper, but also involves developing infrastructure to ensure markets and jobs can be expanded in these areas. Second, there should be recognition that there are marked differences in people's ability to move out of poverty and these may be related to gender, ethnicity and other social characteristics that lead to exclusion. Finally, a process of active involvement of those affected by the programme and its development, that is, the beneficiaries, is critical for sustainability and the relevance of these programmes.

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Alleviating poverty in remote Indigenous Australia: The role of the hybrid economy

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Introduction
While Australia is one of the world's richest countries in both absolute and per capita terms, many of its Indigenous peoples live in poverty. This paper seeks to elucidate some avenues for addressing poverty in remote Indigenous Australia via appropriate pro-poor growth strategies. While the Development Bulletin focuses on the Asia Pacific region, the case for including remote Indigenous Australia is twofold. First, there are many similarities in the development problems facing Indigenous poor in Australia living within a rich developed state and those in developing Third World nations. Second, Australia's development discourse and aid practice offshore generally focuses on failed states, problems of governance and policy failure, while conveniently ignoring economic development problems at home.

An attempt is made here to engage robustly with the dominant Indigenous policy approach in Australia that somewhat myopically promulgates a view that Indigenous economic development can only be achieved via mainstreaming, a term that refers to orthodox engagement with the market either through sale of labour or through operation of commercial business.

The alternative approach that is championed here is a livelihoods approach. It is argued that such an approach might be more successful than mainstreaming in both economic and cultural terms in addressing Indigenous poverty. This approach, referred to as 'the hybrid economy model', emphasises that the customary or non-market sector has a crucially important role to play in addressing Indigenous poverty in Australia. The paper concludes with a note of caution: Australia is keen to export an approach to development that promotes the free market. But this approach has been unsuccessful in remote regions in addressing Australia's Indigenous development problem, so it is unclear why it should succeed offshore.

Poverty in remote Indigenous Australia
The focus here is on people who at first glance appear land rich but cash poor. In reality, because Indigenous Australians live within a rich state as an encapsulated minority, their per capita cash incomes by Third World standards are high owing to the operations of the welfare state safety net. So the focus has to be recast a little to emphasise activity poverty (and associated social ills) rather than cash poverty and relative rather than absolute poverty.

Even within Australia there are marked variations very evident in official statistics disaggregated by the Accessibility/Remoteness Index of Australia (ARIA). According to the 2001 Census, only about 26 per cent of Australia's Indigenous population resided in remote and very remote Australia, with the majority living in metropolitan and inner and outer regional areas. This paper focuses only on about 120,000 people, less than one per cent of Australia's population. The majority of these people live on what is increasingly referred to as the Indigenous estate, an area that covers about 20 per cent of the Australian continent or about 1.5 million square kilometres mainly made up of environmentally intact desert and tropical savannah. People live in about 1,200 small geographically dispersed communities that are almost invariably distant from markets and commercial opportunities and service centres (see Altman 2006: 18-19 for maps of these communities).

Using standard poverty measures it can be demonstrated that more than 40 per cent of this Indigenous population lives below the Australian poverty line (Hunter 2006). And this population demonstrated many characteristics, according to the 2001 Census, that are distinctly Third World: nearly 40 per cent are aged less than 15 years (reflecting high fertility); only eight per cent live beyond 55 years of age (reflecting very low life expectancy); levels of formal employment are extremely low (only 18 per cent have wages and salaries as their main source of income and another 28 per cent work for the dole); education levels are low (only one in 20 has a post-school qualification in very remote Australia); household income levels are low; and people are poorly housed, often living in extremely over-crowded conditions.

The policy debate
The current policy discourse in Australia, dominant since the abolition of the Aboriginal and Torres Strait Islander Commission in 2004, seeks to address Indigenous poverty via a re-enactment of the modernisation paradigm, the development theory behind the failed assimilation era of the 1950s and 1960s in Indigenous affairs.
In the last two years there has simultaneously been a growing chorus highlighting policy failure, with much reference to the last 30 years. However, available official statistics for the period 1971-2001 actually suggest that social indicators in both absolute and relative (ratio of Indigenous to non-Indigenous) terms have improved, at least at the national level. This discourse of failure has seen a dramatic policy shift away from self determination and self management as the central terms of policy to a re-embrace of the assimilation approach. The new terms used in policy include mainstreaming, shared responsibility, mutual obligation and, most recently, ‘normalisation’.

The state’s revisiting of such an approach is perhaps hardly puzzling, given the current dominance of economic liberalism and the views of some influential Indigenous spokespersons, like Noel Pearson (see Phillpot 2006) that provide the requisite moral authority to such re-visitation. Policy makers argue that the pro-growth approach that has been successful at the national level should now be transferred cross-regionally and cross-culturally. Some suggest that the free market can succeed in remote and very remote Australia. Others suggest that in the absence of mainstream commercial opportunity at remote Indigenous communities, it is imperative to move the people to the opportunities. The latter approach is naïve at best, because it ignores people’s agency and their active links to the ancestral lands that they now own. Also given Indigenous people’s low educational and health status and their economic marginality, labour migration could be disastrous for migrants, as well as for communities where they move.

The alternative hybrid economy model

This paper challenges this dominant policy orthodoxy and suggests that the nature of the economic problem in remote Indigenous Australia is misunderstood and mis-specified.

This is due, in part, to an overstatement of the powers of the market and an understatement of some of the poverty traps that Indigenous people face. In reality, there is limited market opportunity for both Indigenous and non-Indigenous people in much of remote and very remote Australia. This is partly why so much land here was unalienated and available for successful Indigenous land rights and native title claim since the late 1970s. A mix of access to welfare and limited mainstream opportunity means that the amounts that would need to be earned to offset citizenship entitlements are significant, creating poverty traps where effective marginal tax rates (or income replacement ratios) are extraordinarily high, sometimes exceeding 100 per cent.

Current approaches also conveniently ignore the colonial processes and Indigenous cultural prerogatives that have created underdevelopment. Despite a general perception of high public expenditure on Indigenous people, in reality under-expenditure has historically been the norm. On any needs-based equitable criteria there has been under-expenditure on Indigenous people in the areas of housing and infrastructure, health and education, and employment services. This has left a legacy of neglect evident in poor housing, limited social and physical infrastructure at remote communities, and poor access to financial services. In making this important point, it is not being suggested that enhanced state expenditure alone will be the solution to Indigenous poverty. However, there are significant contemporary shortfalls that do require urgent attention.

Clearly there are also cultural prerogatives at work. Many people who were hunter-gatherers in pre-colonial times (as recently as in the 1950s in parts of Arnhem Land) retain a livelihood approach today. Many groups also demonstrate strong ongoing connections to their traditional lands.

Under such circumstances, an alternate model is urgently needed to understand the nature of the economy. Based on empirical research, undertaken since 1979 in central Arnhem Land in the tropical savannah, a very different ‘hybrid economy’ model has been developed (Altman 2005). This model represents the economy as having three sectors; the public (or state), the non-market (or customary) and the private (or market) rather than the more standard two-sector (private/public) model. The model was developed from case study research among Kuninjku-speaking people that showed that in 1979-80, the imputed value of the customary sector (hunting, fishing and gathering returns) was the dominant component of the local economy totalling 64 per cent, with welfare (the state sector) accounting for 26 per cent and art sales (the market) for 10 per cent (Altman 1987). Subsequently, in 2002-2003, a new set of data were collected collaborating with the same people in the same region to show that the customary sector remained important, alongside state income support and earnings from the sale of art (Altman 2003).

The hybrid economy model is depicted conceptually in Figure 1. While it is made up of three sectors represented by the circles marked 1, 2 and 3, a crucially important feature of the model is the articulations (or inter-linkages) between these sectors that are depicted by the segments 4, 5, 6 and 7. Another important feature of this model is that the relative scale of the three sectors and four points of articulation can, and probably do, vary from one local context to another. In remote Australia, many Indigenous people regularly move between these seven occupational niches with the mobility evident in pre-colonial times in the food quest now evident in livelihood adaptations. For example, an individual might participate in customary wildlife harvesting, the production of an artefact for market sale and in engagement with the state working-for-the-dole (under the Community Development Employment Projects scheme) all on the same day. Clearly in such circumstances people are not just reliant on state welfare,
nor just on the customary sector, nor just on income from the sale of art. In a sense part of the emerging post-colonial adaptation observed is a risk-minimising livelihoods diversity that sees engagement in all sectors of the local economy. This support occurs directly, for example, by the provision of some income support and indirectly, for example, through the provision of limited state patronage of community-controlled art centres that broker the sale of arts and crafts.

**NATSISS 2002 evidence**

Historically, the argument made above that the customary sector remains of significance could be dismissed as an atypical case study focused on a particular region, central Arnhem Land in the tropical savannah, where colonisation only arrived in the last 50 years. However, there is a growing body of official statistics that suggest that the Arnhem Land case might not be so exceptional and that allow some scaling up of findings.

In 1994, the Australian Bureau of Statistics (ABS) conducted the National Aboriginal and Torres Strait Islander Survey that showed that the customary sector (then termed the voluntary sector) was significant (Smith and Roach 1996). More recently, the ABS undertook the National Aboriginal and Torres Strait Islander Social Survey (NATSISS) in 2002 that included some questions on the customary sector, at least in remote and very remote regions.

Three findings from Altman, Buchanan and Biddle (2006) are summarised below. Table 1 provides responses to a question asked of persons aged over 15 years if they hunted or fished as a group. The responses indicate that over 80 per cent of Indigenous people living at remote Community Areas (discrete communities) did so, with those living on homelands most likely to do so. This question is very broad brush and needs considerable refinement when NATSISS is repeated in 2008, but it does suggest that the customary sector remains robust, although the survey methodology clearly has limitations in measuring the economic significance of such activity.

**Table 1: Per cent of Indigenous population (and estimated numbers) in remote Community Areas who fished or hunted in a group in the last three months, 2002**

<table>
<thead>
<tr>
<th>Does not recognise homeland</th>
<th>Lives on homeland</th>
<th>Does not live on homeland</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not fish or hunt in a group</td>
<td>25.8% (800)</td>
<td>15.3% (3,400)</td>
<td>18.9% (4,200)</td>
</tr>
<tr>
<td>Fished or hunted in a group</td>
<td>74.2% (2,300)</td>
<td>84.7% (18,900)</td>
<td>81.1% (18,100)</td>
</tr>
<tr>
<td>Proportion who fished or hunted</td>
<td>6.7% (3,200)</td>
<td>46.7% (22,300)</td>
<td>46.7% (22,100)</td>
</tr>
</tbody>
</table>

Source: Altman et al. (2006:144)

In Table 2, information is provided on those who resided in remote and very remote regions who indicated that they participated in cultural activities. A proportion of adults indicated some engagement in such activity (not all of which is customary), with a high proportion being paid, especially for the production of art and craft.

**Table 2: Percentage of Indigenous population in remote and very remote Australia who participated in, and were paid for, various cultural activities, 2002**

<table>
<thead>
<tr>
<th>Arts or crafts (%)</th>
<th>Music, dance or theatre (%)</th>
<th>Writing or telling stories (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participated</td>
<td>19.1</td>
<td>10.4</td>
</tr>
<tr>
<td>Paid (of those who participated)</td>
<td>51.9</td>
<td>26.3</td>
</tr>
</tbody>
</table>

Source: Altman et al. (2006:146)

In Table 3, the information from Tables 1 and 2 is summarised and augmented to show participation in the customary sector as represented by hunting and fishing; and extension of the customary to market engagement as represented by participation...
in art and craft manufacture and its commercial sale. Note that
the data on hunting and fishing is limited to Community Areas;
it is not that such activity does not occur in places like New South
Wales or Victoria, indeed there is evidence that it does (Gray and
Altman 2006); it is just that NATSISS 2002 did not ask the
question in these more settled states. There is certainly some
indication in Table 3 that where land rights and native title is
strongest, people are more likely to engage in the customary sector
or to combine customary skills with contemporary opportunity
in the production of art for sale in the market.

Table 3: Percentage of each state/territory engaged
in fishing or hunting in a group, paid and
unpaid arts and crafts activity, 2002

<table>
<thead>
<tr>
<th>State/territory</th>
<th>Fished or hunted is a group (%)</th>
<th>Participated in arts/crafts (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Of those participated, paid (%)</td>
<td></td>
</tr>
<tr>
<td>NSW</td>
<td>N/A</td>
<td>16</td>
</tr>
<tr>
<td>Victoria</td>
<td>N/A</td>
<td>14</td>
</tr>
<tr>
<td>Queensland</td>
<td>82</td>
<td>14</td>
</tr>
<tr>
<td>South Australia</td>
<td>76</td>
<td>21</td>
</tr>
<tr>
<td>Western Australia</td>
<td>80</td>
<td>16</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>84</td>
<td>20</td>
</tr>
<tr>
<td>ACT/Tasmania</td>
<td>N/A</td>
<td>11</td>
</tr>
<tr>
<td>Australia</td>
<td>51</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Altman et al. (2006:147)

Payment for environmental services

At present, climate change and associated national concerns
about water quantity and quality and potential loss of
biodiversity are all high priorities. In Figure 2, a conceptual
outline is again provided that shows the Indigenous estate and
its overlaps with the national conservation reserve system. A
cadastral map would show that many parts of the Indigenous
estate about the conservation estate. Research undertaken in 2006
shows that the Indigenous estate includes some of the most
biodiverse lands in Australia. Official natural resource atlas maps
produced by Land and Water Australia and the Department of
Environment and Heritage indicate that many of the most intact
and nationally-important wetlands, riparian zones, forests and
rivers and waterways are located on the Indigenous estate.
Mapping also shows that these lands are at risk of species
contraction and face major threats from feral animals, exotic
weeds, changed fire regimes, pollution and overgrazing. The
latest available climate science suggests that substantial
biodiversity impacts are inevitable.

Unfortunately, NATSISS 2002 did not ask Indigenous
people in remote Australia and living on the Indigenous estate
about their participation in natural resource management
activities. However, there is a growing body of evidence that in
the last decade community-based rangering activity, often
undertaken while participating in customary activity, is
generating environmental benefit. Such activity is highly variable
and includes fire management, weed eradication and feral animal
control (see Northern Land Council 2006). A recent project in
Western Arnhem Land has seen a multinational corporation
Conoco Phillips pay Indigenous rangers to abate 100,000 tonnes
of carbon emission per annum via wildfire management. And
the Australian Government supports an Indigenous Protected
Areas program at 20 sites on the Indigenous estate.

There is a crucially important potential role for Indigenous
people in environmental management of the Indigenous estate
they own. This is an area where Indigenous ecological knowledge
and Western science can be linked and where Indigenous people
seek enhanced engagement. While much is already undertaken,
Indigenous people are poorly remunerated for the provision of
a range of environmental services. There are significant
opportunities to enhance such Indigenous engagement as an
element of the hybrid economy.

Enhancing livelihood options

Much of the policy debate in Australia in recent years has focused
on the need for enhanced Indigenous engagement with the 'real'
economy in remote Australia (Pearson 2000). This paper argues
that there is emerging statistical evidence that indicates that the
real Indigenous economy in remote regions includes the
customary sector. Conversely it is argued that the free market
alone will not deliver pro-poor outcomes in remote Indigenous Australia for a wide range of historical, structural, resource endowment and cultural reasons. Nevertheless, there are many livelihood opportunities in remote Australia and poverty alleviation policies could benefit by recognising the complex nature of the three-sector hybrid economy in such situations and the sectoral articulations between market, state and customary sectors. Policies need to be crafted that recognise this reality and diversity; and simultaneously communities and individuals need to be empowered to pursue a livelihood approach that suits their particular circumstances. There is much evidence in the development literature than a state-imposed, top down and monolithic form of imposed development is unlikely to prove effective in addressing poverty.

Conclusion

A paternalistic and assimilationist approach to Indigenous economic development in remote Australia will not work and runs the danger of exacerbating rather than alleviating poverty. Such an approach is limited because it fails to recognise the role and comparative advantage of the customary or the futility of forcing mainstream solutions onto very non-mainstream situations. This paper suggests that a fundamentally different approach is needed that empowers communities to grow all sectors of the hybrid economy to alleviate local poverty. The possibility of engaging Indigenous people in the wholesale provision of environmental services on the massive Indigenous estate is likely to generate local, regional and national benefits.

Are there lessons from Indigenous Australia for other Third World poverty contexts? At present, Australia is looking to export a brand of development thinking that is focused only on the free market. But such an approach is not working in remote Indigenous Australia in part because it has mis-specified the development problem. A livelihoods approach that recognises the importance of all sectors in the 'hybrid economy' including the customary and the importance of community-control of development processes will alleviate poverty more readily than any monolithic approach currently being promulgated.

Notes

1. In some of his writings, Pearson (2000:88-89) advocates for the development of greater community self-sufficiency and of internal subsistence economics, but these views receive limited attention in contrast to his view that welfare dependency must cease and engagement with the 'real' economy or free market must be given priority.

2. The earlier conference version of this article was able to present a series of maps that demonstrated these spatial correlations clearly. These maps are available at the CAEPR website (www.anu.edu/caepr).

References


Bridging economic research and policy

John Young, Research and Policy in Development, Overseas Development Institute

Introduction

There has been an increasing interest in the links between research and policy in the developed and developing world over the last decade. The new Labour Government in the UK adopted ‘evidence-based policy making’ when it came to power in 1997, at least in part as a response to the previous Conservative Government’s emphasis on ideologically-driven policies of liberalisation and the free market. More recently, development research donors have been concerned to ensure that the billions spent annually on development research will contribute to the fight against poverty.

The UK’s Overseas Development Institute (ODI) has long recognised the need to do much more than just research if the results are to have any impact on policy and practice. The Research and Policy in Development (RAPID) Group in ODI focuses explicitly on the interface between research and policy. Based on over five years of theoretical and case study research and advisory work, RAPID has developed a simple analytical framework and a range of practical tools that researchers, policy makers and practitioners can use to make better use of research-based evidence.

We define both research and policy very broadly: research as any systematic effort to increase the stock of knowledge, and policy as a purposive course of action followed by an actor or set of actors. So our work is at least as much about getting ideas into action as about getting research into policy.

Policy processes

For many years the process whereby research influences policy was considered to be a logical process, where policy makers identify a problem, commission research, analyse the results, choose the best option, establish the policy, implement the policy and then evaluate the results. We now know that it is not like this anywhere in the world. Policy processes are certainly not linear. They are sometimes portrayed as cyclical with a number of distinct steps from agenda setting, through policy formulation, policy making, implementation, and finally monitoring and evaluation, the results of which feed into policy revision or new policy agendas. Government plays a key role in all steps, with the cabinet taking the lead in agenda setting and policy formulation, parliament with decision making and line ministries with implementation and monitoring and evaluation. But in democratic contexts there are many other actors also seeking to influence each of these steps including donors, civil society and the private sector, and they’re all trying to influence each other as well. In reality, as Clay and Schaffer (1984:192) observed, ‘The whole life of policy is a chaos of purposes and accidents. It is not at all a matter of the rational implementation of the so-called decisions through selected strategies’.

Part of this is because policy makers work in the real world. They are much too busy to read research reports. They may read the executive summary or a policy brief, but more frequently rely on the advice of their advisers. Their approach to a particular policy problem is coloured by their own background and experience. They must use their own judgement to balance a wide range of views from different stakeholders, and have to develop policies that are both affordable and can be successfully implemented. Researchers and policy makers have almost diametrically opposed views on what constitutes good evidence. Researchers are often only prepared to provide clear policy recommendations when their evidence is scientifically proven beyond any doubt, which may take months or years. Whereas policy makers frequently need to make decisions immediately, and will base their decisions on any evidence that seems reasonable at the time.

Some theories

There is a huge range of theory about why research does or doesn’t influence policy. Most of it is based on research done in developed countries, and may not be relevant in developing countries. There are some, though, that seem relevant everywhere. For example:

- Roe’s (1991) theory of policy narratives suggests that development policies are often based on argument, scenarios and narratives that do not stand up to closer scrutiny (for example, the ‘tragedy of the commons’ narrative, or the African ‘wood fuel crisis’ narrative). Frequently the narratives are directly contradicted by experience in the field. In spite of this, the narratives persist and continue to inform policy making, largely because there is strong pressure to carry on reproducing simplifying narratives when difficult decisions have to be made.

- The term street-level bureaucrats was coined by Lipsky (1980) as he examined what happens at the point where policy is translated into practice, in various human service bureaucracies such as schools, courts
and welfare agencies. He argued that the real impact of policies depends much more on the people who actually implement it: the practitioners or street level bureaucrats, than the policy makers.

• In his book *The tipping point*, Gladwell talks about how ideas spread. He describes them as social epidemics, spreading like viruses: first slowly, from person to person, then more rapidly, until they reach a critical point, then 'tipping' into an epidemic at a moment 'when everything can change all at once' (2000:9). He calls this the tipping point, and identifies three different types of people who are important in most social epidemics: *connectors*: people who know who to pass information to, and are so respected that they will have influence on key players; *mavens*: information specialists who acquire information and then educate others (a personality type that is considered indispensable to marketing); and *salesmen*: powerful, charismatic and, most importantly, persuasive individuals who are trusted, believed and listened to where others would be ignored.

The RAPID framework

Based on a review of the literature, and over 50 case studies, RAPID has developed a framework (Crewe and Young 2002) to help to understand the huge range of factors which influence the research policy interface.

![Figure 1: The RAPID context evidence and links framework](image)

**External influences**
- International factors, economic and cultural influences; etc.

**The political context**
- Political structures/processes, institutional pressures, prevailing concepts, policy streams and windows, etc.

**Links between policy makers and other stakeholders, relationships, voice, trust, networks in the media & other intermediaries, etc.**

**Evidence, credibility, methods, relevance, use, how the message is packaged and communicated, etc.**

The framework contains four groups of factors:

• **The political context**: the first set of factors includes the extent of civil and political freedoms in a country, political and policy processes, institutional pressures and vested interests, attitudes and incentives among officials, their room for manoeuvre, local history, and power relations.

• **Evidence and communication**: the second set relate to the quality of the research, its relevance and operational usefulness, whether it provides a solution to a problem, and how the ideas are packaged and communicated.

• **Links**: third, the framework emphasises the importance of links; of communities, networks and intermediaries including the media and campaigning groups. Issues of trust, legitimacy, openness and formalisation of networks are important.

• **External influences**: fourth, the framework emphasises the impact of external forces and donors actions on research-policy interactions. Key issues here include the impact of international politics and processes, as well as the impact of general donor policies and specific research funding instruments.

The framework also maps onto real life activities. The political context is the realm of politics and policy making; evidence that of research, learning and thinking; and links includes the processes of networking, the media and advocacy. Even the overlaps between the domains map onto real life processes. The overlap between the political context and evidence is the process of policy analysis. The overlap between evidence and links includes a whole range of processes of scientific information exchange and validation. The interface between links and political context is the arena of campaigning and lobbying.

From the case studies we have collected so far (Court and Young 2003) it is clear that research is most likely to influence policy when it takes place in the middle of this framework, when researchers work closely with policy makers throughout the research process, and with a wide range of other stakeholders to maximise the volume and impact of research results.

**Practical implications**

The practical implication of this is that if you want to maximise the influence of your research on policy and practice, you really need to know something about each of the dimensions of the framework. You need to know about:
Table 1: How to influence policy and practice

<table>
<thead>
<tr>
<th>What researchers need to know</th>
<th>What researchers need to do</th>
<th>How to do it</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political context:</strong></td>
<td>• Get to know the policy makers, their agendas and their constraints.</td>
<td>• Work with the policy makers.</td>
</tr>
<tr>
<td>• Who are the policy makers?</td>
<td>• Identify potential supporters and opponents.</td>
<td>• Seek commissions.</td>
</tr>
<tr>
<td>• Is there policy maker demand for new ideas?</td>
<td>• Keep an eye on the horizon and prepare for opportunities in regular policy processes.</td>
<td>• Line up research programmes with high-profile policy events.</td>
</tr>
<tr>
<td>• What are the sources/strengths of resistance?</td>
<td>• Look out for, and react to, unexpected policy windows.</td>
<td>• Reserve resources to be able to move quickly to respond to policy windows.</td>
</tr>
<tr>
<td>• What is the policy-making process?</td>
<td>• Establish credibility over the long term.</td>
<td>• Allow sufficient time and resources</td>
</tr>
<tr>
<td>• What are the opportunities and timing for input into formal processes?</td>
<td>• Provide practical solutions to problems.</td>
<td></td>
</tr>
<tr>
<td><strong>Evidence:</strong></td>
<td>• Establish a convincing case and present clear policy options.</td>
<td>• Build up programmes of high quality work.</td>
</tr>
<tr>
<td>• What is the current theory?</td>
<td>• Package new ideas in familiar theory or narratives.</td>
<td>• Use participatory approaches to help with legitimacy and implementation.</td>
</tr>
<tr>
<td>• What are the prevailing narratives?</td>
<td>• Communicate effectively.</td>
<td>• Clear strategy for communication from the start.</td>
</tr>
<tr>
<td>• How divergent is the new evidence?</td>
<td></td>
<td>• Face-to-face communication.</td>
</tr>
<tr>
<td>• What sort of evidence will convince policy makers?</td>
<td>• Get to know the other stakeholders.</td>
<td>• Partnerships between researchers, policy makers and policy recipients.</td>
</tr>
<tr>
<td><strong>Links:</strong></td>
<td>• Establish a presence in existing networks.</td>
<td>• Identify key networkers and salesmen.</td>
</tr>
<tr>
<td>• Who are the key stakeholders?</td>
<td>• Build coalitions with like-minded stakeholders.</td>
<td>• Use informal contacts.</td>
</tr>
<tr>
<td>• What links and networks exist between them?</td>
<td>• Build new policy networks.</td>
<td></td>
</tr>
<tr>
<td>• Who are the intermediaries, and do they have influence?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Whose side are they on?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External influences:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Who are main international actors?</td>
<td>• Get to know the donors, their priorities and constraints.</td>
<td>• Develop extensive background on donor policies.</td>
</tr>
<tr>
<td>• What influence do they have?</td>
<td>• Identify potential supporters, key individuals and networks.</td>
<td>• Orient communications to suit donor priorities and language.</td>
</tr>
<tr>
<td>• What are their aid priorities?</td>
<td>• Establish credibility.</td>
<td>• Cooperate with donors and seek commissions.</td>
</tr>
<tr>
<td>• What are their research priorities and mechanisms?</td>
<td>• Keep an eye on donor policy and look out for policy windows.</td>
<td>• Contact (regularly) key individuals.</td>
</tr>
<tr>
<td>• What are the policies of the donors funding the research?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The political context, for example:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Who are the key policy actors (including policy makers)?</td>
<td>— What influence do they have? Who influences them?</td>
<td></td>
</tr>
<tr>
<td>— Is there a demand for research and new ideas among policy makers?</td>
<td>— What are their aid priorities and policy agendas?</td>
<td></td>
</tr>
<tr>
<td>— Who is likely to support or resist change?</td>
<td>The case studies and our advisory work are also starting to identify approaches which researchers can use to increase the impact of their work, and how to do them. These are shown in Table 1.</td>
<td></td>
</tr>
<tr>
<td>• The evidence, for example:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Is there enough evidence (research based, experience and statistics)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Is the evidence relevant? Is it accurate, material and applicable?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Are the evidence and the source perceived as credible and trustworthy by policy actors?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Links, for example:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Who are the key stakeholders?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— What links and networks exist between them?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— What roles could they play?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• External environment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Who are main international actors in the policy process?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Practical tools

Many researchers, when presented with this table, are alarmed that most of the actions have more to do with processes of project management, engagement and communication, than with research. This is the reality. If you want your research to influence policy and practice, you, or your team or organisation, need to do much more than the research itself. But there are many simple approaches and tools that have been developed in a diverse range of other disciplines that can help with this. There are a wide range of simple political analysis tools that can be used to learn more about the political context you are working in. Then there
are many communication, lobbying and advocacy tools that have been developed in the NGO sector. ODI has gathered many of these into a series of toolkits (Start and Hovland 2004). Each provides a simple introduction to a range of tools, and how to use them, with links to further information and examples. They are all available in printed and online versions.

An example
ODI has used these tools to help a number of research teams to increase the impact of their research, for example with a project working on ground water availability in Madhya Pradesh in India. The project had undertaken a number of hydrological, social and economic studies, and had discovered that the reason why ground water was becoming more scarce was not, as policymakers thought, because of deforestation, but because subsidised electricity prices allowed wealthier farmers to use electric pumps to irrigate vegetable crops for sale in the towns, leaving poorer farmers, who couldn’t afford pumps, unable to access water for their crops. Using some simple political context analysis tools, the project team identified the need to invest more resources in communicating the results to local, state and national policymakers and supporting an advocacy campaign, rather than doing more research.

Conclusions
Our work has shown that it is possible to increase the impact of your research on policy if you really want to do it, though it may mean doing things a bit differently. First you need to undertake a systematic analysis of the context you are working in to identify exactly who you need to influence, and who else you should be working with. Then you need to figure out what evidence you need to do it, collect it, and develop an effective communication strategy. You may need to work with political scientists and communication specialists, and you may need to look at the incentives and establish the right working culture in your organisation. You will almost certainly need to spend more on communication, and pay more attention to engaging with policymakers throughout the research process, and with other researchers, NGOs and possibly even advocacy groups to make absolutely sure your results influence the policy process, and make a difference.

References
Social assessment for investment projects in the People’s Republic of China

Susanna Price, Visiting Fellow, Department of Anthropology, Research School of Pacific and Asian Studies, Australian National University

China’s transition from a centrally planned state to a socialist market economy, especially the selective transformation of the state and its processes to support the market and to align more closely with international standards, presents a rich background against which to assess recent initiatives for planning investment projects. Investment projects represent a tangible manifestation of economic development, constituting a very visible, and sometimes contentious, arena for transformation. Recent moves to develop social assessment procedures for investment projects in China present new opportunities for understanding the emerging interface between international standards and field-based realities. Practitioners of social assessments in China are introducing new perspectives in the conceptualisation of social change, perspectives that may, in turn, present opportunities for framing development strategies.

In this paper I will trace the development of methods for social assessment for investment projects in China and reflect on some challenges for the future.

Selective capitalist transformation and its social consequences

While China retains its socialist structures as the basis for the legitimacy of the leadership, it pursues, simultaneously, a path of rapid but selective capitalist transformation for the state and the economy. This transformation is designed to secure better living standards for the Chinese people and has, until recently, focused on economic, financial, and technical dimensions, downplaying social issues despite deepening evidence of significant social and cultural change (Cheng 2003; Zheng 2004, 2006). Extensive administrative reorganisation, decentralisation, industrial and financial reform all permit new forms of interaction between market and state, and new forms of networking through the information society. Work units, housing, residence patterns and the labour market are now marked by greater heterogeneity (Lin 2006). While peasants and workers have generally lost some of their socialist era protections, migration has been made possible, and party cadres and officials can do business, permitting the emergence of a non-state private sector (Zheng 2004). Perhaps paradoxically, this has created new political and social formations, new sets of values and beliefs, new social identities and new subjectivities, highlighting the importance of culture (Liu 2004).

State rebuilding to support, selectively, the capitalist economic transformation has had its own distinct social effects. While poverty has been significantly reduced in China, there are growing inequalities within cities, between cities and the countryside, and between regions (Li 2006; Jing 2006; Stiglitz 2006; Nolan 2005).

China has, since the late 1990s, invested intensively in the country’s infrastructure as a basis for economic development. Certain high profile, large scale projects of immense importance embody national prestige - the Three Gorges project, for example. Such investment projects can entail significant technical, environmental and social risks. Both urban and rural Chinese people appear to be increasingly likely to demonstrate publicly against project risks. Moreover, the use of the xinfang (letters of complaint), a mechanism for lodging complaints with higher authorities and seeking justice, is rising. In a recent survey by the Chinese Academy of Social Sciences (Gransow and Price forthcoming:3) on this system of petitioning, firstly, corruption, followed by land requisition problems, were the most common reasons for complaint.

‘Revolutionary changes’

With this increasing complexity in China’s social fabric, the leadership has been exploring strategies to address the social costs of transformation, and to foster a balanced and harmonious society. For example, by 2003 the leadership had articulated a ‘new development perspective’ (xin fazhanguan), that broadens objectives beyond economic growth in favor of ‘putting people at the centre’ (yi ren wei ben) (Gransow and Price forthcoming:4).

The 11th Five-Year National Plan for Economic and Social Development, approved by the People’s Congress in March 2006, set out ‘revolutionary changes’ (Xinhua 2005:1). In presenting the Plan in October 2005, Premier Wen Jiabao urged efforts to narrow the income gap among different regions and social groups in order to achieve social equity (Hu 2005:3). Chinese leaders have warned agains:

extremes of poverty and wealth, increasing unemployment and intensified social conflict ... The theory proposed by the late chief architect of China’s reforms, Deng Xiaoping, in the 1970s to allow some of the people to get rich first will give away to...
'common prosperity' in a bid to bridge the growing gap between the rich and the poor, and to avoid polarisation of the society ... The lowest-income families, comprising the bottom 10 percent of all families, own less than 2 percent of all the residents' assets in the society, while the highest-income families, or the top 10 percent of all the families, own over 40 percent of the total assets, government statistics show (Embassy of the PRC 2005:1).

While retaining ambitious economic growth targets, for the first time a National Plan recognises limits to economic growth:

economic growth is not equal to economic development and ... growth is not the final goal of development ... Top leaders have criticised old concepts of economic growth many times, saying that 'economic development at the center' does not mean 'with speed at the center.' Blind pursuit of economic growth has led to blind investment, damage to the environment and false statistics ... In the 11th Five-Year Plan, the economic growth will be defined as 'Serving the people to improve life quality,' (Embassy of the PRC 2005:1).

The Plan signifies a change in investment strategy away from large infrastructure projects. This constitutes:

'a major shift in China's economic policies: from urban development and heavy investment in billion-dollar projects to increasing rural and sci-tech investment in the interest of sustainable development' ... This paradigm shift is clear if the 11th Five-Year Guidelines are compared with the 10th. The latest version contains fewer plans for multi-billion-dollar construction projects such as diverting water from the country's south to the north, or a gas pipeline stretching from western frontiers to the coastal east. Instead, more government funds will be used to improve standards of living for the country's 900 million, and boost sci-tech research and development ... Infrastructure investment will be shifted from the urban areas to the countryside, with a focus on farmland, roads, safe drinking water, methane facilities, power grids and telecommunications networks (Pan 2006:2-4).

Effecting the anticipated social reform and 'making continuing economic growth socially sustainable' are undoubtedly major challenges (Arrighi 2006:108). Some commentators argue that without 'comprehensive structural and political reform' these aims could prove illusory (Lam 2005:1). Yet these official statements open the door for mitigating the social risks of investment projects, and for promoting more inclusive planning processes to widen the potential benefits — both key elements of social assessment.

**Evolving procedures for planning investment projects**

From the 1980s onwards, with the emergence of the market economy, state planning agencies produced a series of manuals for project assessment focussing on economic and financial appraisal methods (for example, SPC 1993). The earlier official embrace of capitalism in its economic and technical dimensions made it relatively easy for China to address international standards on economic and financial appraisal for investment projects.

Social assessment also forms an integral part of international standards on project planning and management. Social assessment underpins key social safeguard and poverty reduction policies of multilateral development banks such as World Bank and ADB, and also of bilateral members of the OECD (Cernea 2005; Price 2005). In the private sector, the Equator Principles encompass social safeguards based on standards set by the International Finance Corporation (Equator Principles 2006). Social indicators underpin the United Nation's Millennium Development Goals (UN 2006).

Compared to economic and financial analysis for investment projects, social assessments raised more complex issues in China. When China's state leaders downplayed social issues in the early search for economic transformation, efforts to develop social assessment had a mixed reception. Under a planning-centric mindset social assessment may appear as an unnecessary expense because the planners themselves have sufficient expertise, or even as counterproductive because opening the door to public participation may threaten to dilute their own discretionary power. Several important initiatives in social assessment from Chinese sectoral agencies remained as in-house documents that could be ignored or selectively applied in project preparation.

This has now changed. In 2002 China's principal planning agency, National Development and Reform Commission (NDRC) began requiring, for the first time, social assessments in state-funded development investments through its public endorsement of a *Guideline for Investment Project Feasibility Study* (Compiling Group 2002).

The guideline draws upon the experience gained by a small band of social research specialists, extrapolating from Chinese case studies to prepare more generalised guidance, in the context of the Chinese policy and legal frameworks. Several key agencies supported this work: China International Engineering Consulting Corporation (CIECC), the Institute of Investment of the NDRC, and the Research Institute for Standards and Norms of the Ministry of Construction. Several significant papers resulted (for example, Wang and Marsden 1993; Social Assessment Research Group 1997). These experiences are further documented in the 2004 publication in Chinese language, entitled *Guidelines on Social Assessment in Chinese Investment Projects* (CIECC 2004).

The guideline, which has been issued nationwide on a trial basis, aims at standardising feasibility studies for state-financed investment projects throughout China. Using a range of internationally accepted methods it sets standards for systematic assessment in market research; methods for comparison of
alternative investments; technical, financial and economic analysis; risk analysis; institutional analysis; environmental and, significantly, social assessment.

Whilst the guideline's primary focus is economic and financial, one chapter situates social assessments firmly within the context of project feasibility studies and appraisal. This is the first, high-level, official inter-sectoral requirement for social assessment as an integral component of analysis for state-financed investment projects.

Investment projects requiring particular attention are characterised in the guideline by long-term social impact, complex social factors, notable social benefits, prominent social conflicts or major social risks. Examples cited include projects with large-scale resettlement or acquisition of agricultural land and water conservancy, industry, mining and oil field projects and also poverty reduction projects that have explicit public benefits, such as improved cultural education, public health or agricultural production, in poor areas.

The guideline's social assessment chapter is structured into three parts: firstly, defining the role and scope of social assessment; secondly, presenting its major components; thirdly, setting forth procedures and techniques. Essential elements include a social impact analysis, an analysis of the match between local culture and the project design, and a social risk analysis.

Social impact analysis addresses eight key effects that might arise from the project: on local residents' income and jobs; on their standard of living and quality of life; on local residents' employment; on losses that might require compensation; on vulnerable groups such as women, children and the handicapped; on local culture, education, public health, and other objectives of social development; on the level of local infrastructure and social services; and on the customs and religious beliefs of local ethnic minorities.

Next, the likely match between a project and its social context is assessed, as a basis for selecting a participatory method to support project success and widen the benefits. This involves a study of the attitudes of key interest groups and local organisations towards the project. In order to maximise complementary approaches towards sustainable development, the guideline calls for review of prospects for utilising locally available technology, and assessment of the match between local culture and the project design.

Social risk analysis then focuses upon social factors that might represent a possible source of social, ethnic or religious conflict, and the design of measures to avoid, reduce or mitigate those risks.

The document advocates both quantitative and qualitative techniques for data collection and analysis; and special attention to possible opportunities for women. The approaches and techniques are to apply flexibly to different circumstances. Procedures for an initial social screening are followed then by a detailed social assessment in the feasibility study stage.

The guideline integrates public participation into the process of project design and implementation. Mobilising the understanding, support, and cooperation of local stakeholders is considered necessary to enhance transparency of the planning process; to 'democratise decision-making', to increase acceptability for local people, and to enhance prospects for project sustainability. Participation is also presented as a risk reducing strategy, 'generally, the more the public participate the lower the risk' (Compiling Group 2002:93-94).

The publication of this state-approved document constitutes an important step towards establishing the objectives and framework for social assessment in China. Fully implemented, this could reduce social risks and costs of project investments, widen participation in investment planning and so maximise potential benefits, and increase transparency of government procedures. It could help set the framework for socially responsive investment for private sector operations, both within China, and, potentially, for the increasing number of Chinese investments overseas.

More widely, the fully implemented guideline would raise the visibility of social issues, and the perspectives of different interest groups, in the official planning arena.

**Prospects for implementation**

The guideline raises, implicitly, a number of questions about the relative roles of agencies and interest groups in identifying, preparing, assessing, approving, and financing social assessments; such implementation arrangements are not addressed directly in the document. Focusing as it does on the early stages of feasibility and appraisal, the guideline also foreshadows questions about responsibilities for post-approval stages of the investment cycle: management, monitoring and evaluation.

These are important questions. Social assessment in China is hampered by an acute shortage of trained personnel in key agencies at all levels; by a lack of clear institutional responsibilities for social assessment throughout all stages of the investment cycle; by an absence of capacity building strategies, resources, and training materials; and by an absence of operational standards and detailed materials. There have been recent calls (CIECC 2004) for clear definitions and standards to be set out in government laws and regulations, which are verified and issued by national investment administrations and implemented across the country. Such laws and regulations may serve as the basis for central and local investment administrations to examine and approve social assessments for key government-financed
projects; and to verify those relating to enterprise-financed projects. This is important for anticipated changes for the reformed investment system that is expected to separate and define the different roles of government and the private sector. New legal regulations and institutional frameworks could function as indirect instruments of control compensating for an anticipated further decline in state control on economic operations.

This may not be easy. China's national policies, plans and strategies are implemented in an increasingly complex framework as the process of decentralisation deepens, raising questions about the full implementation of state policies, laws and regulations at the local level (Stiglitz 2006). The distance from the top to the bottom of the long chain of command in China, from the state down to the township, village and collective, means a 'high degree of autonomy, a quasi-decentralised status brought about through distance and size' for the local level (Plummer and Taylor 2004:7).

Local pressures may actually resist state-level policy and regulatory initiatives, in a phenomenon of 'policies from above, counter-measures from below' (Cheng 2003:3). For example, local authorities might not fully enforce the law in order to attract foreign capital and technologies (Zheng 2004:159).

The transition to a market economy has entailed extensive reorganisation of state government, especially during the period of Zhu Rongji's reforms (1998-2000). Managing the market in the context of growing decentralisation poses significant challenges if benefits are to be shared equitably. The 11th Five Year Plan is not a blueprint replete with the numerical targets of central planning. Rather, the word for 'plan' (jihua) is replaced by the word for 'guidelines' (guihua) for the first time in more than 50 years, signalling that the document focuses on macro-strategy rather than centralised economic planning (Kwan 2005:3).

So, while social assessment has, since 2002, become an official requirement for state-funded investment, it remains to be seen how China will develop the overall policy framework, strategy and methods for implementation. The project case studies conducted to date using social assessment (for example, CIECC 2004; Plummer and Taylor 2004) offer insight into the way social assessment has been conceptualised and applied that may suggest useful approaches.

Building upon the work of the small group of pioneers, to what extent will Chinese social scientists contribute, for example, in developing, refining and testing methodologies for social assessment, in setting clear guidelines and standards, and in capacity building for practitioners?

China has long held a tradition of field research as a basis for shaping social action to promote modernisation (Gransow 2003; Guldin 1994). Although China banned the disciplines of anthropology and sociology after 1949, before restoring them in 1977, the Government sponsored interdisciplinary social research teams, for example, to define, classify, map and analyse minority groups in social, economic and cultural terms. The 'tortuous path' of sociology (and anthropology) comprising activity and then forced isolation, has been marked by a recurring theme: indigenisation of foreign theories and methods in light of 'Chinese social reality'. The term 'harmonious social development', articulating a vision of a more socially aware, less destructive type of growth, that features in the 11th Five Year Plan, arose in the Chinese discipline of sociology (Zheng 2006:19-20,34).

Conclusion

The 2002 guideline is congruent with official aims to promote a more harmonious and balanced society. It articulates key elements of participative social assessment for investment projects. It provides official endorsement for avoiding social costs and for inclusive investment planning that allows more people to participate and benefit, so recognising and addressing an emerging plurality of interest groups.

While major challenges to its full implementation remain, the articulation of this process may open up spaces for new players that reflect the growing complexity of Chinese society. It foreshadows a potential role for non-aligned agencies and specialists in investment preparation, monitoring and evaluation; and new roles for local stakeholders. This may foster new alignments for creative initiatives and partnerships in investment planning, for example, between state interests, local government interests, private sector interests and the interests of local people.
Strengthening community economies: Strategies for decreasing dependence and stimulating local development

Deirdre McKay, Amanda Cahill and Katherine Gibson, Department of Human Geography, Research School of Pacific and Asian Studies, Australian National University

This paper outlines a community economies approach to local development; an approach aimed at enhancing local economic diversity and community resilience without requiring outside resources. We piloted this approach through an action research partnership. Funded by AusAID and the Australian Research Council, our partners were two municipal governments and two NGOs in the central and southern Philippines (see Figure 1). In Jagna, Bohol, we collaborated with Bohol Initiatives on Migration and Community Development and the Jagna Municipal Government. In Linamon, Lanao del Norte,:

Figure 1: Map showing action research sites in the Philippines
Mindanao, our partners were Unlad Kabayan Migrant Services Foundation Inc. and the Linamon Municipal Government.

Decentralisation of government in the Philippines requires municipalities to take a more pro-active approach to local development. In rural areas, many people perceive a lack of economic opportunities and frequently migrate elsewhere to look for work. The remittances these migrants send home rarely initiate productive enterprises. Remittance funds are more likely to support higher consumption levels and real estate purchases for selected households and often increase social polarisation. Municipal governments must now offer people development options other than migration, taking responsibility for both creating local income-generating opportunities and finding ways to address the increasing distinctions between the migrant household ‘have-s’ and the only-local ‘have-nots.’ Rural municipalities, however, receive only very small transfers from central government revenues. They also find it difficult to attract external investment or secure donor aid. In this decentralised rural context, development approaches targeting only formal markets, generating solely waged work, and forming capitalist enterprises typically require external investors or donors. Our municipal government partners do not want their development programmes to rely on outside inputs as this dependence places them in a vulnerable position. Instead, they want strategies they can deploy themselves, using the minimal level of resources at hand, to initiate local economic growth.

Our project began with the idea that economic diversity is the basis upon which poor rural communities make ends meet. The sustainable livelihoods approach to development pioneered by Chambers (2003), Ellis (1998) and others has foregrounded this understanding of rural lives. Terms like occupational multiplicity and pluriactivity are used to describe the diverse livelihood practices of rural households. These multiple practices are an important way of maintaining resilience and livelihood security (Chambers 2003:170). Development programmes that ignore economic diversity can actually hinder a community’s ability to deal positively with the shock of rapid change or the lack of mainstream opportunities by undermining local security and resilience. We wanted to discover what the development potential of enhancing local economic diversity might be.

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**Figure 2: Jagna’s diverse economy**

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### Jagna’s Diverse Economy

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March 2007
We initiated our research by looking for existing diversity, mapping the multitude of economic practices and relations that sustain daily lives as assets of our two study sites. Our approach has three objectives: facilitating economic diversity, keeping surplus in the community and creating community-based enterprises. We targeted the ‘vulnerable poor’, defined locally as those households with some subsistence security, but no savings. These households had cash incomes around P4000/month (less than $US1/day per person), well under the P6000/month local poverty line. Our goal was to mobilise these diverse economic assets to create community enterprises without compromising the subsistence security of our participants.

**Mapping economic diversity**

We started with a map of the diverse economy created with our NGO partners and community members. Here, we take our examples from Jagna, Bohol, a municipality of approximately 30,000 people on the Visayan island of Bohol, some 63 kilometres away from Bohol’s provincial capital of Tagbilaran. With a team of Jagna-ans and NGO representatives, we documented the transactions, forms of labour and enterprise organisation in the municipality (see Figure 2). The resulting table illustrates the rich patchwork of market and non-market exchanges, paid and unpaid labour and capitalist and non-capitalist surplus generating enterprises that work together to sustain livelihoods in many rural areas like Jagna.

Most local people are sustained by informal market and non-market exchanges, traditional unpaid labour practices performed in households and farms, occasional paid labour and infrequent interaction with capitalist enterprises. This mix of activities performs many different functions, including:

- working as an informal social safety net;
- sharing social surplus across the community, making identity and culture;
- offering redistributive channels for the equalisation of wealth;
- performing patronage relations; and
- destroying or depleting the commons.

It is important to recognise that some, but not all, of these diverse economic practices contribute to community resilience. Others undermine environmental stability or produce problematic patronage relations or possibly lead to exploitation and social fragmentation. We were particularly interested in the many traditional practices that circulate surplus through the community, building and reinforcing a supportive network of social relations. In Jagna’s diverse economy, it is difficult for people to separate income generation and investment from their reciprocal social obligations.

**Strategies for building a community economy**

If we viewed this local economy as a site of lack, we might seek to harness outside resources to increase formal market activity and waged employment, perhaps by attracting capitalist enterprise to the municipality. Seeing this economy as replete with potential, our project followed another trajectory. After mapping these economic practices, we initiated conversations about ways of strengthening a ‘community economy’. The community economy is a subset of diverse economic practices, relations and ethical agreements that ensure people can meet their needs, maintain acceptable minimum levels of consumption, circulate and reinvest their surplus locally, and sustain a commons (see Gibson-Graham 2006:86-88). Our aim was to strengthen local resilience by facilitating diversity — creating conditions under which diverse community economic practices such as cooperatives, state enterprises, and community-based enterprises could proliferate. Our project asked: how could we build on aspects of the economic diversity we mapped to strengthen the local community economy in the face of decentralisation and expectations that local government take charge of development?

By identifying diverse economic practices as local assets, we were able to initiate discussions about how to expand on these strengths to meet local needs. This is very different from the familiar approach of focusing on needs and resorting to inputs from outside to meet them. Our local research partners agreed that many of their diverse economic practices enacted an ethos of ‘sharing’ and ‘equity’ that was a vital and distinctive part of their local culture. Few, however, had thought about such forms and practices as having any potential for development. They were curious, and skeptical, as to how they could use these ethics and practices as a starting point for local development. Together we asked how we might strengthen economic diversity in ways that would produce most benefit to the community, meaning the majority of local people. We did not want to promote interventions that would eliminate diversity (by stamping out certain economic practices), or promote only one pathway to development, or produce the potential for more social polarisation in the community. Instead, our discussions questioned the ethical underpinnings of the practices in the diverse economy map, so that we could together identify practices with potential to build a more resilient community economy.

We organised groups of interested local people to study the feasibility of particular enterprise ideas. In Jagna, enterprise groups explored dressmaking, producing ginger tea, making *nata de coco* (a local coconut confectionary), and setting up a hauling service — all ideas people had identified as building on the strengths of their natural and social environment. Some of our group members had previously been involved in several failed microfinance
programmes, so they were hesitant to take on loans immediately. Instead, they began their market feasibility studies and production testing by donating their own volunteer labour and resources. The coconut group members, for example, contributed their own coconuts and sugar and used household equipment to start nata production. These donations enacted traditional economic practices where people give labour, food, firewood and other necessary inputs to prepare for weddings and religious festivals. Such contributions exemplify what Filipinos call 'the bayanihan spirit', where people help others for the good of the group, anticipating that they will receive help themselves in the future. All the groups went on to use or incorporate principles from other traditional practices in their operations including:

- **Hungus** — different households exchange labour to ensure enough labour for planting and harvest;
- **Dajong** — people provide mortuary assistance in the form of cash, goods, or services to the family of the deceased; and
- **Gala** — fund raising through holding a benefit dance.

In forming group enterprises, we used the following strategies:

1. **Begin with people’s assets first.** This strategy allowed us to target funds more efficiently. Our groups started production free from debt, so the money they made immediately became income for members, rather than debt repayment. This minimised funding inputs and ensured funds went to support production, rather than supporting household needs. Diversion of enterprise funds to medical expenses and school fees had led to the failure of microcredit initiatives in Jagna.

2. **Produce for niches in the local market.** This strategy provided immediate feedback on the feasibility of the enterprises. By starting small and local, groups kept their input requirements low, while giving themselves time to learn business and technical skills on the job. They did not have to start selling immediately to meet debt repayments. In the case of the hauling service, the group quickly discovered that their idea was not feasible. While the members were disappointed, they were also relieved that they had not taken on any debt. In completing their feasibility and market studies and learning financial management skills, they had learned a very useful business lesson: when not to invest.

3. **Start production part time.** This strategy enabled people to maintain (rather than replace) their other livelihood activities, thus supplementing their household’s subsistence base. Many of our group members wanted to continue with part-time employment, rather than scaling up to full-time production. They could not afford to give up other subsistence activities that provided alternative forms of income, such as food, or activities that sustained important social relations, such as those with their extended kin and church groups.

Many of our participants initially joined the enterprise groups to access ‘training’ or ‘funds’, but then planned to leave the group to go into business on their own. Soon, however, they discovered that group enterprises had advantages in comparison to individual and household businesses. Although participants sometimes complained about the frequency of meetings and activities, they were impressed by the potential profits created through collective production and marketing. They also enjoyed the camaraderie and found group participation increased their confidence while broadening their social networks.

**Learning the advantages of community enterprises**

As the enterprises started up, we asked group members to reflect on their experiences as participants and share their learning with us. Here are some of the lessons they identified:

- **Pooling labour, resources, and knowledges.** By working together, people found they could draw on a much wider range of resources, labour inputs, and skills than any one household could muster.

- **Accommodating changes in membership.** Over time, some people did leave the groups and new members joined, as would be the case with less formal economic groups. These changes in membership did not, however, threaten the viability of the enterprise as they might with a household enterprise supported by microcredit, which has a more limited supply of labour and resources to sustain it.

- **Flexibility and strengthening social networks.** Group work allowed households to manage their workloads while engaging in multiple obligations. For example, in the ginger group, when one member was sick or could not attend production, their family members or other group members stepped into their role. This practice reflects the principles of hungus, where different households exchange labour to ensure enough labour for agricultural tasks. This kind of exchange brought neighbouring households closer together.
• **Recognising interdependence.** Traditional *bungus* groups provided the initial model of a ‘flat structure’ for our enterprises. During the start-up period, all members were equally responsible for inputs such as labour, time and resources. This encouraged equitable decision making and participation within the group and fostered appreciation for interdependence. By building appreciation for task specialisation and interdependency, this flat structure and the benefits of group work discouraged individuals from leaving to set up competing enterprises.

• **Embracing broader social goals.** As community enterprises, our groups embraced broader goals than simply generating cash income for members. As part of the production of their ginger tea, for example, the members of the ginger group provided lunch and snacks, as well as saving a percentage of profits in an emergency fund for members.

• **Mobilising patronage relations.** The group nature of these enterprises obliged government, NGO, and community members to support their activities because the income produced benefited a number of families. For example, to help the dressmakers raise enough money for their first production of graduation gowns, the schools — their first client — gave them half of the payment upfront as a deposit, even though they had not yet seen a finished product. Local councils offered the use of local halls to the ginger and coconut groups for processing and included the groups for consideration for funding, infrastructure, and technical assistance in their three year plans. Enterprises run by single households would not find such community support.

• **Fostering a committed market.** People in the wider community were eager to support local products and the recirculation of social surplus. For example, neighbours and priests at the local church bought up any ginger tea made until a regular market was established. This is a different consumer attitude to the jealousy and resentment that meet some family businesses in small rural towns.

• **The potential to scale up quickly.** With more members, a wider resource base and marketing network, and external support, community enterprises could scale up faster, generating more surplus than individual small business. For instance, the *nata* producers discovered that they could organise group productions and recruit new members to take advantage of peak demand periods (Christmas and the Municipal Fiesta) in a way that would not be possible for individual producers. This is different from the investment of remittances or the results of microcredit lending, which individual borrowers/investors often use to set up small enterprises (usually local transport and small stores) that are unlikely to expand and employ more people.

• **Supporting economic diversity.** These group enterprises generated a social surplus that serviced community needs more directly than could profits from individual or household businesses. This is an advantage in a community like Jagna where income generation is not separable from people’s reciprocal social obligations. For example, the dressmakers donated some of their earliest profits to the family of a member who had passed away — the traditional practice of *dajong*. Funds generated through microcredit used in such ways represent a failure of the microcredit interventions, indicating ‘irrational’ practices or ‘bad’ social capital. However, from a community economy perspective, this recirculation of surplus is the way people invest in a social safety net and build resilience. Their thinking is that, while development programmes may not always be around to assist in times of economic crisis, neighbours and kin will be, so they invest accordingly. The same pressure to share surplus falls on individual family businesses, but group arrangements allow members to negotiate and meet these obligations more easily, placing fewer constraints on the viability of their nascent enterprise.

**Conclusion**

Our approach attempted to strengthen economic diversity to produce the most benefit to local people and in ways that fit with existing economic practices and logics. Although these enterprise groups are only two years old, the evidence so far suggests that they are sustainable and have already increased participants’ household incomes by an average of 20 per cent, without sacrificing the range of existing livelihood options available to them. Fostering group enterprises, rather than encouraging individual and household entrepreneurship, allows people to negotiate their continued participation in the social networks that build community resilience.
Note
Thanks to our collaborators, funders, and our community participants in the Philippines and to Sandra Davenport, at ANU, who copyedited the paper in preparation for publication.

** Figure produced by Anthony Bright, Research School of Pacific and Asian Studies, ANU

References
Opportunities for pro-poor, pro-women growth in post-tsunami Sri Lanka

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Introduction
In the coastal town of Hambantota in south-eastern Sri Lanka, households have traditionally relied on a mixed portfolio of fishing, non-farm microenterprises and agricultural labour, with some non-farm wage employment and remittances from family members working in Colombo or overseas. The tsunami of December 2004 profoundly disrupted the economic landscape, with a massive human toll and destruction of assets and infrastructure. This paper aims to contribute to the emerging policy dialogue on post-tsunami planning for livelihood rebuilding in Sri Lanka (see, for example, Steele 2006). It argues that rather than restoring the pre-tsunami status quo, the planning focus should be on growth sectors such as tourism, manufacturing and overseas labour markets which offer stronger prospects for poverty reduction, particularly for women. Given high levels of structural poverty in pre-tsunami Hambantota, livelihood planning should aim to 'build back better'. In doing so, it should also contribute to broader developmental goals by ensuring that access to opportunity is not restricted by gender and that the planned growth sectors have broad community acceptance and are economically and environmentally sustainable.

Damage
The tsunami affected a 1,000 kilometre stretch of Sri Lanka's coastline from Jaffna in the north to Colombo in the south-west. The worst destruction occurred along the eastern coast, while in the south the damage was generally more moderate, with some protection provided by headlands, dunes and steep coastal gradients. It is estimated that only 20 per cent of the southern coastal population was affected, in comparison with up to 80 per cent in the eastern districts. There were, however, pockets of acute damage along the southern coast. The Hambantota sub-district, which encompasses the regional town of Hambantota and nearby peri-urban settlements, was one of the most severely affected areas. The low-lying central and eastern parts of the town were engulfed by a 6.5 metre wave that levelled the densely populated built-up area between the coast and the Karagam Levaya lagoon 500 metres inland. The death toll in Hambantota exceeded 3,000, and the estimated mortality rate in the worst affected suburbs and villages was over 40 per cent.

Pre-tsunami income sources
Hambantota is a relatively poor and remote region, in which the vast majority of households have traditionally depended on the informal sector for their primary livelihoods (Table 1). The fisheries sector was the principal income source for close to 30 per cent of the population, while 15 per cent earned their primary incomes as small-holder paddy farmers or farm labourers. While an estimated 85 per cent of households owned non-farm microenterprises, most were operated as secondary activities and fewer than 40 per cent drew their primary income from microenterprises. A small and relatively well-off minority were employed in the public and formal private sectors. The importance of metropolitan and overseas labour markets in the rural economy has increased rapidly over the last two decades, and remittances account for a growing share of household income.

Table 1: Hambantota sub-district: Pre-tsunami primary household income sources

<table>
<thead>
<tr>
<th>Income source</th>
<th>Households (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Informal sector</strong></td>
<td></td>
</tr>
<tr>
<td>Fisheries/agriculture</td>
<td>43</td>
</tr>
<tr>
<td>Non-farm microenterprise</td>
<td>37</td>
</tr>
<tr>
<td><strong>Formal sector</strong></td>
<td></td>
</tr>
<tr>
<td>Public sector</td>
<td>7</td>
</tr>
<tr>
<td>Non-micro private sector (local)</td>
<td>3</td>
</tr>
<tr>
<td>Remittances</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Census of Population and Housing 2001

A rigid gender division of labour excludes women from fishing and paddy cultivation, although they may be employed as farm labourers and in ancillary fisheries activities such as net making. Similarly, most of the higher-earning microenterprise activities, such as brick making and mechanical workshops, have traditionally been reserved for men, while women's enterprises were concentrated in low-income occupations such as tailoring, poultry rearing and petty trade. With the exception of female...
household heads, women were rarely the primary household
income earners, although they contributed as subsistence
producers and operators of secondary microenterprises, and as
unpaid workers on family businesses operated by men.

Post-tsunami livelihood planning: Restoring the status quo or building back better?
The traditional mainstays of fishing and agriculture are in long-
term structural decline which pre-dates the tsunami, and have
long been associated with high levels of poverty and
underemployment. Paddy cultivation is under continuing
pressure from the progressive removal of subsidies, rising
production costs and falling producer prices. The fisheries
industry is dominated by inefficient and outmoded equipment
and practices. Local fishermen who operate canoes with
outboard motors face intense competition not only from other
small-scale operators, but also, increasingly, from large multi-
day boats operated by Malaysian and Indian crews. Declining
fish stocks are becoming a significant problem (Institute of Policy
few notable exceptions, similar constraints apply in the non-
farm microenterprise sector, which is characterised by low
barriers to entry, outmoded technology and intense competition,
leading to low incomes and limited growth potential.

The aftermath of the tsunami saw a massive influx of aid
resources to Sri Lanka. After housing, livelihoods restoration
was the second major focus of post-tsunami aid, attracting
$US126 million in donor funds in 2005. At least eight ministries
and over 100 national and international agencies were involved
in livelihoods-related projects (Kapadia 2006). Unfortunately,
the restoration effort was hampered by a lack of planning and
the limited experience of some donors (Institute of Policy Studies
2006; Centre for Policy Alternatives 2006; Weinstein 2005).
The Government did not articulate a policy framework which
identified potential new growth sectors and strategies for
encouraging their development, and in the absence of a clear
strategic plan most public and NGO-led projects focused
reflexively on restoring pre-tsunami conditions.

Accordingly, livelihood interventions have focused heavily
on asset replacement in the fisheries sector. Boat replacement
projects were particularly attractive to international NGOs
which had an eye to their constituencies back home — they
were relatively simple to implement, enabled fast disbursement
of large volumes of funds and presented a good photo
opportunity. Thus, boat replacement projects were often given
priority over more complex, less photogenic interventions (Korf
2006). The situation was exacerbated by a lack of coordination,
and there were reports of NGOs simply arriving in local
communities and handing out boats on demand. The result

was that by early 2006, there were now more fishing boats in
Sri Lanka’s southern province than there had been before the
tsunami, and the danger of overfishing had increased (Creech
2006).

Other occupations, particularly those in which women
predominate, have received substantially less attention, and
again, attention focused primarily on replacing traditional assets
rather than promoting non-traditional alternatives (Kapadia
2006). Interventions often exacerbated problems of over-supply
by providing sewing machines and similar equipment to
households which had not previously engaged in these activities,
at a time when markets were already under enormous pressure
from depopulation and precipitous declines in household
incomes (Haug et al. 2006). In addition, female food producers
and tailors have had to contend with competition from a well-
tentioned influx of food and clothing donations.

There are emerging sectors which hold out far more
promising prospects for future income growth, and the post-
tsunami context provides an opportunity for reorientation
towards these higher income, more sustainable livelihood
opportunities. Significantly, while traditional activities have been
dominated by men, the sectors which hold out the most
promising prospects for future livelihood development —
overseas labour markets, manufacturing and tourism — tend
to favour women. Although these sectors have not figured
prominently in post-tsunami livelihood interventions they
should be integrated as key elements in regional economic
planning. The remainder of this paper discusses opportunities
and challenges that these sectors present.

Overseas labour markets
An estimated one million Sri Lankans work overseas. The money
they send home accounts for around ten per cent of GDP, making people Sri Lanka’s third largest export after garments
and tea. Their numbers are increasing, and their remittances
have become a mainstay of the rural economy. Most migrants
are unskilled women, predominantly from poor rural
households, who work as domestic servants in the Middle East.
Women working overseas earn far more than they could expect
to earn locally. Most of their wages are sent home and are
sufficient to raise a household’s income above the poverty line.

With strong demand for Muslim workers in the Middle
East, Hambantota is one of Sri Lanka’s principal migrant-
sending regions due to its high Muslim population. Remittances
have a key role to play in post-tsunami rebuilding as they are
one of the few substantial income sources not affected by the
disaster and, in addition to supporting consumption when other
jobs are scarce, provide a source of capital for microenterprise
investment. In the months immediately following the tsunami
there was a decline in remittance receipts as women returned

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from overseas to care for their families, but by the end of 2005, many had resumed their overseas jobs and migration agents were reporting an increase in enquiries from prospective new migrants.

It should not be forgotten that female migration carries significant personal and social costs, and that these are likely to have been exacerbated by the tsunami. Adverse impacts on children’s welfare (de Brujin et al. 1992) are likely to have been heightened by tsunami-related disruption to family structures. With women over-represented among the fatalities, a further skewing of sex ratios in the community may be undesirable in the post-disaster context where traditional ‘female’ caring and social-capital building tasks have taken on an added significance. Policies and interventions in support of migrant workers could go a long way towards increasing the developmental impacts of migration and reducing its social costs. Appropriate strategies include improvements in consular services and protection of labour rights for overseas workers, measures to encourage the productive investment of remittances, and community support services for returned migrants and the families, especially the children, of migrant workers.

Manufacturing
Since the 1980s there has been a phenomenal expansion in export-oriented manufacturing, particularly in the garment sector, which accounts for 40 per cent of industrial production. Although the Government has endeavoured to promote rural industry development via tax incentives and other subsidies, regionalisation initiatives have had limited success because it has failed to address rural infrastructure deficiencies, particularly in transport. Thus, the garment industry is concentrated in export processing zones (EPZs) in the metropolitan western province, which continues to account for three-quarters of new factory openings and more than 80 per cent of manufacturing jobs.

The garment sector is a significant employer of young rural women, several hundred thousand of whom have migrated to work in the western province. Pay and conditions in the Sri Lankan garment industry compare well with other Asian garment sectors, and with the local labour market alternatives. Some small to medium factories are a problem, but in general, the larger factories which dominate the industry offer clean safe working environments and relatively generous wages. However, substandard living conditions in the dormitory zones around the EPZs, combined with cultural prohibitions on young unmarried women leaving the parental home, have contributed to chronic labour shortages, with high turnover and vacancy rates, leading some factories to subsidise workers’ accommodation.

While manufacturers are becoming increasingly aware of the advantages of regionalisation in terms of reduced labour costs and abundant labour supply, weak infrastructure continues to deter rural investment. The massive damage to built infrastructure caused by the tsunami has largely been restored, but additional public investment is needed, particularly in improving the congested and dilapidated rural road network. As one of the most remote regions, Hambantota faces additional constraints in the form of low population densities and distance from ports and urban centres, and accounts for less than one per cent of manufacturing investment. However, some promising developments are in process — the Southern highway project, scheduled for completion in 2008, will connect Colombo with the southern city of Matara via a four-lane highway, cutting travel times to the Hambantota region from six to three hours, and plans are in process for the construction of a deep water port accessible to international shipping in Hambantota harbour. When completed, these major projects will radically improve access to urban and export markets for goods produced in Hambantota.

Tourism
Across Asia, tourism is seen as a key strategic growth sector and generator of non-farm employment. During the 1980s and 1990s the Sri Lankan tourist industry was kept well below its potential by the civil conflict, but expanded rapidly after the 2002 ceasefire, with an increase in foreign tourist receipts from $240 million in 2002 to $439 million in 2004 (Central Bank 2005). In addition, with the emergence of an urban middle class and the liberalisation of vehicle imports in the 1990s, domestic tourism is a growing market, and increased vehicle traffic in the Sri Lankan countryside has fuelled growth in rural motor repair workshops, roadside retail traders, tea shops and artisan establishments.

Although hotels and other tourist facilities were severely damaged by the tsunami, the sector has recovered quickly and receipts in 2006 are expected to return to 2004 levels. The challenge for planners is to rebuild a pro-poor tourist industry that can generate sustainable broad-based employment in local communities. In Hambantota, the pre-tsunami tourist industry was an enclave economy concentrated around a handful of major hotels. They generated little local employment as their workforce was drawn from Colombo, and local business linkages were weak as the hotels sourced their supplies non-locally and guests were given little encouragement to venture beyond the hotel gates.

Strategies to be considered include: encouragement for local recruitment of hotel staff; the development and marketing of local handicrafts villages near hotel precincts; support for the development of ancillary businesses such as tour guiding that are accessible to the locally owned small-to medium enterprise sector; support for niche markets such as eco-tourism,
backpacker-type accommodation and facilities targeting domestic visitors; and language training and cultural awareness programmes targeting local microentrepreneurs. Of course, not all of the economic opportunities created by tourism are desirable, and in developing strategies for linking the tourist sector with the local economy, livelihood planners need to be sensitive to the risks of poorly planned and under-regulated tourism development, which has been linked elsewhere with increases in prostitution and in gender-segregated, poorly paid jobs (Pritchard 2004; Richter 2005).

The tourist sector offers considerable opportunities for the growth of women's enterprises as it favours the female-dominated food and garment trades. Development agencies can best support and encourage this process through the growth of women's enterprises as it favours the female-jobs (Pritchard March 2007). Where pre-existing tendencies towards conservatism and risk aversion are likely to be magnified, interventions aimed at reorienting activity towards non-traditional sectors need careful and sensitive planning and management. Given the difficulties of promoting alternative occupations to traumatised and asset-depleted clients, it is not surprising that many development agencies have focused on restoring pre-tsunami livelihood activities through such interventions as the replacement of boats and sewing machines. In the long run, however, strategies aimed at restoring low-income and deteriorating sectors will do little to promote poverty reduction. For several years, observers have been keenly aware of the declining ability of farming, fisheries and non-farm survival occupations to support large segments of the rural population. There have, however, been few coordinated attempts to address the problem due to a combination of policy inertia and lack of economic and technical resources. The post-tsunami context provides a rare conjunction of incentive and opportunity to encourage movement into more sustainable, higher-income livelihoods. Livelihood research and investment initiatives have access to the substantial donor resources that have flowed into Sri Lanka following the tsunami. Planners and development agencies can use these resources to develop innovative policy alternatives for the rebuilding of household self-reliance, and it is to be hoped that they make full use of this unique opportunity.

Note
1. While reliable sex-disaggregated data on casualties is difficult to find, evidence from a range of sources suggests that a disproportionate number of fatalities were female (Oxfam 2005). Fishermen at sea were largely exempt from tsunami damage, while women were more likely to have been indoors when the waves struck and to have died trying to save children and elderly relatives. In addition, swimming and tree climbing, which proved to be essential survival skills, are taught to boys but not to girls.

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Fiji's approach to addressing poverty

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Introduction
The first of the eight Millennium Development Goals (MDGs) calls for global poverty to be reduced by 15 per cent by 2015, and national governments have since the beginning of the new millennium identified and implemented strategies that aim to meet this target. This paper provides an overview of the Fiji government’s approach to addressing poverty from the 2000 coup to 2005.

The paper is based on data collected during a six month consultancy for Fiji’s Ministry of Women, Social Welfare and Poverty Alleviation, between 2004 and 2005 (Kaitani 2004). It is largely based on secondary data, but also includes findings from a rapid appraisal of the situation in Fiji. The paper examines some of the key poverty reduction strategies identified and implemented by the Fiji government, and evaluates the major drawbacks to the state's poverty alleviation programmes.

Background
Poverty in Fiji is increasingly visible. A 2002 household and income survey found 28 per cent of Fiji’s population (of just over 800,000) is poor, an increase of three per cent over the preceding ten years. Over the past decade, unemployment has risen and the number of street kids, beggars, and squatter settlements in the urban areas has increased. The survey also showed that the level of inequality has declined from a Gini coefficient of 0.49 in 1991 to 0.46 in 2002 (Fiji Bureau of Statistics 2006).

Over the last 20 years the country has experienced three coups with the fourth currently in effect. The three military and one civilian coup have prompted the country’s deteriorating economic situation with the poor being the most heavily affected. Fiji’s slow economic growth and unstable economy means it is important that the Government implement policies and strategies that ensure poverty is reduced. The democratically elected Government of 2001-2006 embarked on a mission to try and reduce poverty, and two of its programmes are examined in the latter part of this paper.

Table 1 above indicates that poverty in Fiji has different effects on the nation’s two main ethnic groups. Food poverty among Fijians is almost double that of Indo-Fijians, and food poverty in rural areas is higher than that experienced in urban areas. The proportion living below the basic needs poverty line shows similar trends, except for the number of poor in rural areas, where Indians were found to be poorer than Fijians.

Table 1: Incidence of poverty in Fiji, 2002

<table>
<thead>
<tr>
<th>Population breakdown</th>
<th>Percentage below the food poverty line</th>
<th>Percentage below the basic needs poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td>National average</td>
<td>3.2</td>
<td>28.2</td>
</tr>
<tr>
<td>Fijian</td>
<td>4.4</td>
<td>29.5</td>
</tr>
<tr>
<td>Indians</td>
<td>2.0</td>
<td>28.5</td>
</tr>
<tr>
<td>Urban average</td>
<td>1.3</td>
<td>25.9</td>
</tr>
<tr>
<td>Fijian</td>
<td>1.6</td>
<td>27.2</td>
</tr>
<tr>
<td>Indian</td>
<td>1.1</td>
<td>24.6</td>
</tr>
<tr>
<td>Rural average</td>
<td>4.6</td>
<td>36.4</td>
</tr>
<tr>
<td>Fijian</td>
<td>5.6</td>
<td>30.8</td>
</tr>
<tr>
<td>Indian</td>
<td>2.8</td>
<td>41.5</td>
</tr>
</tbody>
</table>

Source: Fiji Bureau of Statistics 2006

Government response to poverty alleviation
Over the last five years, the Government has taken an interdisciplinary approach to poverty alleviation. The Ministry of Women, Social Welfare and Poverty Alleviation is responsible for programmes focused at alleviating poverty, but almost all Ministries and Departments have poverty alleviation programmes, including the Prime Minister’s office.

In a bid to ensure cross-ministerial dialogue and to have a holistic understanding of the different programmes, the Poverty Unit, with Cabinet approval, established an inter-ministerial committee on poverty alleviation. The committee comprises one representative from each ministry with a poverty alleviation programme, and enables its members and the Poverty Unit to have a better understanding of the programmes.

Key focus areas
The Government has, over the past five years, focused on six main areas to address poverty: education, agriculture, microfinance, the Fiji Development Bank (FDB), squatter settlements, and social welfare.

Four tools were used in the education sector. These include free education from class one to form six; the provision of grants for buildings to school committees; the provision of a student loan scheme at tertiary level; and a multi-ethnic scholarship for the non-indigenous population at tertiary level. All these projects were implemented at general public level. That is, there were no
special provisos for addressing the education of the poor. As a result, the tuition-free programme was ineffective because schools charge other fees that the poor cannot meet so children from poor families have missed out on education because of financial difficulties.

The Ministry of Agriculture's farming assistance programme aims to assist sugarcane farmers who have been displaced after the expiry of their farm lease. This mostly impacts small-scale cane farmers who lack the resources to make a new start. The Government provided land for them at a subsidised rent, the farmers were shifted to new areas and the programme encouraged them to plant root crops. A new environment, poor land, the small size of the plots, a change in crop type and farming methods has affected most of these farmers, most of whom have sold their land and resettled in squatter settlements in the city of Suva. The Government did not anticipate the difficulties the farmers would face in changing from sugarcane to root crop and vegetable farming.

A microfinancing scheme, available to the poor and to indigenous Fijians, was established for those wishing to establish small business operations; it includes financial education via workshops across Fiji. After completion of the course, individuals are encouraged to start their own business, and funding is available through several Government departments. A number of financial institutions make completion of the workshop a prerequisite for business loans, and the programme also offers subsidised interest on loans from the FDB. The loans fall into two categories, one for the indigenous Fijians and another for other ethnic groups. They aim to promote and provide 'soft' loans to the poor.

The squatter settlements' programme saw the upgrading of squatter settlements into legal residential areas, pro-poor grants to the Housing Authority, state financial support to the poor, and a capital grant scheme for squatter settlements. The capital grant was designed to assist resettled squatter settlements, while the state support was provided for those who live in Housing Assistance and Relief Trust settlements, which are provided for the poor at a very low monthly rent (between $2-$5).

Programmes provided through the Social Welfare Department specifically target the poor and include a poverty alleviation programme which provides housing assistance, along with financial assistance to establish small businesses, including those set up by ex-prisoners, and financial support to fire victims. There is also a programme that provides grants to voluntary organisations that assist the poor, and these are reviewed annually.

Discussion
The Government strategies for reducing poverty over the last five years can be classified as: strategies used to reduce poverty and those to reduce economic and ethnic inequalities. From 2001-2006, the Government doubled its budgetary allocation to poverty alleviation programmes, from F$33-F$60 million, which indicates a commitment to poverty reduction. What is questionable, however, is how effective these programmes have been and whether funds allocated for poverty alleviation have been properly spent.

Most of the public are not aware of the different programmes available to the poor, and some of those who are aware of the programmes take advantage and abuse the system by using all available avenues to get financial assistance, thereby dipping into more than one of the programmes. Despite the inter-ministerial committee on poverty alleviation, there is very little networking among officials in the different state departments, and the Government do not have a shared information system, therefore an individual taking funds from more than one department cannot be identified. Ex-prisoners in particular have proven to be adept at this as they tend to have good information networks through which they inform each other about the different sources of revenue.

Some Government departments have been unaware that they run programmes intended to focus on poverty alleviation. This type of confusion is a result of a lack of consultation and dialogue between different ministries and has resulted in programme duplication with, for instance, the small business grants programme.

Drawbacks
There are significant drawbacks to the programmes discussed above. This includes micro-financing programmes which are not well monitored, resulting in little to no follow-up and advice for new business entrepreneurs. Ethnic-biased programmes have not been a success; they have mostly given advantage to rich indigenous individuals, thereby further increasing the inequality gap. Finally, there is no monitoring and evaluation of any of the programmes as the Government do not have any system that would allow this process.

Conclusion
Over the past five years, the Government has attempted to promote programmes that reduce poverty. These attempts have not been successful and more measures need to be taken to ensure the success of programme implementation. Dialogue between the different stakeholders involved in addressing poverty will enable the Government and other stakeholders to better facilitate poverty reduction strategies. A key to this is good governance, that is, ensuring Government accountability, transparency and corruption controls.

Note
1. A household is in food poverty when it cannot afford a basic, nutritionally adequate diet. The food poverty line is calculated by the National Food and Nutrition Committee for Fijian and Indo-Fijian households for a family of four adults, with a child
under 15 counted as half an adult. The minimum Fijian diet for a family of five cost around $58/week in 1991, and $51 for an Indo-Fijian family (Fiji Government and UNDP 2006).

References
Including pro-poor growth within agency policy: The example of Asian Development Bank

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Despite impressive reductions in income poverty, the Asia-Pacific region still has nearly two-thirds of the world's poor. Rising inequality constitutes a threat to growth (Kanbur 2006). Asian Development Bank (ADB)'s 2005 annual report finds that 'those living on less than $2 a day still number about 1.9 billion, or nearly a third of the world's population'. The report confirms that 'reducing poverty must continue to be the guiding priority of the ADB in the years ahead' (ADB 2005:4).

This paper outlines the Bank's key pro-poor policies and strategies, along with its weaknesses in ensuring the programmes it supports are indeed helping the poor. A consensus on the definition of pro-poor growth has proved elusive (Lopez 2004). For example, Ravallion (2004) has defined pro-poor growth as any increase in GDP that reduces poverty, whereas Kakwani et al. (2004) contend that growth is pro-poor if it benefits the poor proportionally more than the non-poor. Broadly defining 'pro-poor' for the purpose of this paper as aimed at reducing poverty, involving the poor, benefiting the poor, and improving governance and accountability for the poor, ADB has made significant progress in articulating potentially pro-poor policies.

Background

Twelve years ago, ADB had only one policy related to poverty reduction: a lone policy on women in development, approved in 1985. By 2006 there were multiple potentially pro-poor policies within the framework of an overarching poverty reduction objective. What accounts for such a dramatic increase in policy formulation?

There are many factors. Civil society voices and international trends have undoubtedly had impact. NGO advocacy groups regularly participate in ADB consultations. International trends have been increasingly influential over the past decade, for example, through a process of harmonisation with the World Bank, which had already adopted similar policies. Private sector initiatives have also begun to have impact. Forty-five financial institutions in more than 14 countries have now signed the Equator Principles, a voluntary code on social and environmental safeguards for the private sector launched by major banks in 2003.

ADB has recently signed the Paris Declaration on Aid Effectiveness and adopted the Millennium Development Goals (MDGs) – a set of income and non-income based targets for poverty reduction by 2015. Such developments change the global architecture on poverty reduction, and undoubtedly influence ADB's policies.

There are other contributing factors. The 1997 Asian financial crisis that sent shock waves around the ADB's region dramatically increased absolute poverty. In-house initiatives contributed, especially with ADB's appointment in January 1999 of a President who championed poverty reduction; and the gradual increase of in-house capacity through recruitment of specialists in gender, social development, resettlement, indigenous peoples, governance, and poverty reduction.

How does ADB manage this rapid escalation in policy formulation? A key test of ADB's policies is, obviously, in their implementation. Different perspectives on development and opposed theoretical frameworks can make policy formulation and implementation contentious. Cernea argues that 'social policies are a process, not a one-time act. New approaches are inherently fragile at the outset, before growing stronger roots, and are contested' (Cernea 2005:27).

I will briefly review the pro-poor elements of key ADB policies.

ADB's key pro-poor policies

The safeguards: The 1995 policy on involuntary resettlement addresses the risk to people involuntarily displaced by development projects. Such people receive assistance 'so that they would be at least as well-off as they would have been in the absence of the project' (ADB 1995:paragraph 33), with measures to restore the full economic and social base, including livelihood restoration. This policy targets those people who will be deliberately placed at risk of impoverishment, whether they are currently poor or not, so that the project might proceed. The poorest affected people merit particular attention through efforts to improve their status (ibid: paragraph 34 vii).

Resettlement planning for projects is based on a sound development strategy formulated through initial social assessment, socioeconomic survey, information to and...
consultation with people affected. The 1995 policy offers strategic advice going beyond the principles and project practice to enhance the wider macro framework of national laws, regulations and institutions (ibid:paragraphs 34-45).

According to the 1998 policy on indigenous peoples, ADB's interventions must ensure that indigenous peoples are 'at least as well off as they would have been in the absence of the intervention, or that adequate and appropriate compensation is provided' (ADB 1999b:25). This necessitates consistency with indigenous peoples' needs and aspirations, and compatibility in substance and structure with social, cultural and economic features of their communities.

Poverty is not a necessary condition for defining indigenous peoples although by implication, through their vulnerability, indigenous peoples may be represented disproportionately among the poor. Initial social assessment and socio-economic survey underpin the preparation of Indigenous People's Plans. Informed participation, and equitable impacts are key planning elements.

These two social policies together with the environment policy (ADB 2002), comprise ADB's safeguard. All projects must satisfy a safeguard compliance review before their approval (ADB 2005d:6).

Other social development strategies: The 1998 policy on gender and development (GAD) supports one of ADB’s strategic development objectives, to improve the status of women. Mainstreaming is a key strategy in promoting gender equity — that is, to consider gender issues in all aspects of ADB operations and to encourage women to participate in decision making. The policy provides GAD support and capacity building at country level; and, at project level, gender analysis and planning in all ADB activities at all stages of the project cycle.

The GAD policy rationalizes supports both social justice and poverty reduction. Women are disproportionately represented among the poor, so therefore 'measures to expand women's economic opportunities and increase their incomes, or promote improvements in women's health and education, result in greater economic efficiency and decreased levels of poverty' (ADB 1998d:5).

ADB's social protection strategy (ADB 2003) aims to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption or loss of income. The strategy assumes that growth alone is not sufficient to protect people from risks that can plunge them into poverty.

Several other policies also have pro-poor elements. ADB's 1995 governance policy highlights the importance of good governance at the grassroots as a basis for poverty reduction. A review for both governance and anti-corruption (ADB 2006d) recommended strengthening ADB's country poverty analyses on governance issues. It recommended higher priority to investments in local transparency, participation, and complaint mechanisms; and building strong preventive measures against corruption into project design and implementation.

ADB approved a policy on co-operation with non-government organisations in 1998 providing for NGO participation in ADB activities, including regular consultations. NGOs play a key role in delivering ADB's bilateral poverty reduction funds.

ADB approved an inspection function in 1995, and revised it in 2003 as the accountability mechanism with two separate but related functions. First, a assists peoples adversely affected by ADB-assisted projects to solve their problems. If that fails, a establishes ADB's accountability in its operations by providing a forum in which project-affected people can file requests for compliance review (ADB 2004c).

ADB's 2005 public communications policy assumes that increased and early access to information helps ADB to become accountable to the people it affects, and to the taxpayers of member countries that finance ADB operations. There are confidentiality provisions, but the policy favours disclosure of sensitive information if the public interest outweighs any harm caused to ADB.

The goal: poverty reduction

ADB formally adopted poverty reduction as an overarching goal in 1999. Recognising the multidimensional nature of poverty the poverty reduction strategy (PRS) introduced three pillars for 'socially inclusive development' (ADB 1999a:7): pro-poor sustainable economic growth, social development and, in support, sound macroeconomic policies and good governance. The PRS advocated inclusive social development programmes to enable the poor and disadvantaged to benefit from economic growth. This encompassed human capital development and basic services directly for the poor, on grounds that access to basic education, health care and other services such as family planning, improves the quality of life and allows the poor to benefit from growth; and to help reverse discrimination and exclusion.

The PRS envisaged that ADB, as a development bank, would contribute most effectively in the medium to long-term on structural change, policy reform and pro-poor investments. In social development, ADB would focus on human capital development, targeting basic services to the poor, removal of gender discrimination, an effective population policy, social protection, and enhanced social capital. The strategy recommended strongly participative poverty analyses, and country partnership agreements, as a basis for formulating country plans and programmes. The PRS expected all projects to demonstrate pro-poor outcomes, whether through pro-poor
growth, direct poverty reduction, or 'core poverty targeting' (ibid:19-20) and 40 per cent of ADB projects should be poverty interventions. Bilateral donors set up poverty trust funds to support the strategy.2

In 2004 the enhanced PRS (ADB 2004a) maintained these three pillars, adopting the MDGs as targets. Since these goals have both income and non-income targets, their adoption reinforced the rationale for the social development pillar.

Over the last decade, ADB has developed a potentially pro-poor policy agenda with a wide range of mutually reinforcing policies and strategies. To what extent does this agenda shape ADB's operations to achieve pro-poor outcomes?

**Challenges for policy implementation**

An internal review (ADB 2004b) did not assess project outcomes in reducing poverty. However, it found that the PRS had had a profound impact on the organisation, its structure and its business practices, through adoption of consultative processes, supported by poverty analysis, at national and project levels. The review also identified problems.

Of the three pillars, the social development pillar has been the most difficult to support. Reduced lending under ADB’s Ordinary Capital Resources (OCR) for social development was only partially offset by increased concessional financing under the Asian Development Fund (ADB 2004b:iii). This meant ADB’s borrowers had declining interest to borrow for purposes of human capital development, basic services for the poor, gender, population policy, social protection, and social capital. The review also found that, for countries of the region, progress in meeting the non-income MDGs was lagging (ibid:iii-iii).

The report recommended identifying ways more effectively to ‘respond to the region’s relatively poor record in reducing non-income poverty’ (ibid:27) but offered no firm directions for ADB operations given the underlying lending constraint. This raises questions about ADB’s ability to sustain the essential social content of its poverty reduction agenda.

The review characterised as too narrow the PRS definition of poverty intervention as those projects designed to benefit the poor disproportionately through household and individual targeting. The review found that poverty targeting increased both complexity and demands on executing agencies and highlighted the ‘gap between ADB’s mandate and its human resources’ (ibid:iii). The review recommended dispensing with numerical lending targets and specific sectors, which might distort the programmes at country level (ibid:32, 33, 40). By 2004 ADB had abandoned this system.

By its own admission, ADB faces the challenge of continuing relevance in the region. The current medium-term strategy states that ‘ADB’s own scale of investment is small compared with the region’s size and its impact is at best marginal’ (ADB 2006b:7).

ADB struggles to find practical and client-centered ways to implement its poverty reduction ‘vision’. During the period 2001-2005 ‘ADB’s own scale of operations stagnated despite the huge development needs of the region. This raises concerns about ADB’s relevance and responsiveness. These concerns provide the basis for ADB’s strategic operational priorities’ (ibid:5).

New capital flows into the region challenge the role of multilateral development banks, for example, recently announced aid initiatives from China that dwarf ADB’s financing in its home base, the Philippines.3 Meanwhile, borrowers struggle to repay ADB loans. The 2005 ADB annual report finds that, after adjustments, ‘the annual ... loan approvals had stagnated at about $5.2 billion a year in the past decade, and OCR disbursements had declined steadily. Income from OCR lending fell by 43 per cent from 2001 to 2004, resulting in a 38 per cent drop in ADB’s gross annual income.’ (ADB 2005a:6).

ADB concluded that its traditional lending forms are ‘not meeting many of the needs of its key clients, and that new products and less arduous procedures were needed to improve the effectiveness of its development activities’ (ibid:7). Key issues include the need to speed up processing times, to reduce perceived transaction costs, to delegate more authority and accountability to strong Developing Member Countries (DMCs); and for special assistance to ‘small, vulnerable, and/ or weakly performing DMCs’ (ibid:8).

The annual report states that ADB is addressing such issues through a strategic partnership framework with middle-income countries encompassing a new business model (ibid:11). These discussions highlight ‘the need to increase country ownership and capacity in delivering safeguard outcomes, and to adopt safeguard procedures that reflect the varying capacities of the DMCs’ (ADB 2005b:1). The medium-term strategy specifically recommends that, in a bid to enhance ‘responsiveness, flexibility and efficiency, ADB among others, should consolidate the safeguard policies for greater effectiveness and efficiency’ (ADB 2006b:19). Lending patterns provide an important clue as to why the medium-term strategy views the safeguards as a constraint.

ADB’s safeguard affects a significant number of projects. From 1998-2005 half of all projects approved had involuntary resettlement planning, while 28 per cent had some kind of indigenous peoples planning. For environment, 11 per cent of projects approved between 1997-2005 were rated environment category A and 56 per cent category B (ADB 2006c), both categories necessitating environmental planning actions. Moreover, compliance and accountability issues raise the profile of the three safeguard policies, since ‘it is the safeguard policies that are at the front line of ADB’s accountability mechanism’ (ADB 2005d:5).
ADB launched a safeguard review in 2005 to 'enhance the effectiveness and outcome orientation of ADB's safeguard policies while at the same time streamlining procedures and reducing transaction costs ...(and) to introduce procedural flexibility in the application of safeguard policies while increasing country ownership/capacity' (ibid:4). It also addressed the 'new and emerging financing instruments in ADB operations that have presented particular challenges in both policy interpretation and operational application, such as the approach to safeguard applications in ADB-financed equity investments, securitisation, guarantee, and complex financial intermediation' (ibid:8).

ADB's 2006 evaluation of involuntary resettlement safeguard (ADB 2006a) illustrates how these issues are being addressed. This evaluation took a very restricted definition of the 1995 Policy scope, arguing, despite ADB's own policy objective for 'inclusive social development' (ADB 2004a:5), that ADB practice had gone beyond the 1995 policy requirements and become 'too inclusive' (ADB 2006a:iv). This is a convenient claim when trying to reduce a perceived constraint to efficient lending. Although the small samples of project case studies conducted confirmed the findings of an earlier evaluation study (ADB 2000) that restoring livelihoods is particularly challenging for people displaced, the 2006 evaluation study recommended limiting ADB's responsibility in this area.

The evaluation highlighted incremental and transaction costs of resettlement, with only glancing references to likely costs saved by good resettlement planning. It found that assisting the poor and vulnerable is problematic, an incremental cost of doing business with ADB (ADB 2006a:58). Although the evaluation found that the relevance of the 1995 policy to ADB's poverty reduction agenda is 'in principle high' (ibid:55) it overlooked the specifically pro-poor requirement of the original 1995 policy to pay particular attention to the poorest persons affected (ADB 1995:paragraph 34 vii).

Moreover, it reviewed ways of minimising ADB's responsibility for safeguard outcomes. It recommended, for example, making livelihood rehabilitation a goal 'to be aspired to and on the same order as, for example, ADB's intentions to lift beneficiary populations out of poverty. A goal of 'no-one will be worse off' which the policy enshrines, will be exceedingly difficult to meet in every circumstance' (ADB 2006a:56).

If implemented, this recommendation would seriously weaken the concept of the involuntary resettlement policy as a safeguard for those deliberately displaced and at risk of impoverishment by ADB-financed investments.

Conclusion

While ADB has made significant potentially pro-poor policy changes, in practice it may curtail its responsibilities for achieving poverty reduction outcomes. ADB maintains the pro-poor 'vision' of being a poverty reduction bank but there are unresolved questions on how to continue this agenda in light of the core business lending imperatives. This applies particularly to the essential social development agenda that underpins the non-income targets in the MDG, as well as the impoverishment-preventing aspects of the safeguard. Where pro-poor policy requirements present perceived bottlenecks or transaction costs to the core business of lending, then they may be threatened.

Notes

3. See, for example, Perlez's 'New York Times' article, 'China Competes with West in Aid to its Neighbors' (2006). China is providing a US$2 billion aid package to the Philippines annually for the next three years, outstripping the $200 million that World Bank and ADB are offering separately. This amount exceeds the $1 billion aid that the Philippines is negotiating with the Japanese. China also provides significant aid to other countries.

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Economic initiatives for the poor in context: Growth from the grassroots

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Introduction

The island nations of the south west Pacific are moving closer to the centre of Australian consciousness, a result of current emergencies and growing fears for the future. The potential shape of this future is being analysed in documents like AusAID's Pacific 2020 report (2006) and planned for in the Pacific Island Forum's Pacific Plan (2005). Five future scenarios have been outlined in South Pacific futures: Oceania towards 2050 (2005), ranging from social and economic collapse to Oceanic prosperity. Estimates of the likelihood of these futures are informed to a large degree by one's perspective on the following two statements:

The Pacific is rich. It has extensive natural resources: fish, agricultural products, minerals, land, sun and sea. It has unique human resources: people, culture, history, tradition, experience and knowledge (very many Pacific people recognise and treasure this richness).

The Pacific is poor. Official reports on the region, be they Millennium Development Goal (MDG) statistics or AusAID policy papers, tell us that poverty is on the rise. Incomes are low, birth rates are high, governments are ineffective and investment is risky.

Both statements are valid. This region of tremendous natural and cultural wealth is yet to achieve its potential. Some countries are doing better than others and some are blessed with more resources than others, but the better performing countries are not necessarily the best endowed. Poverty, politics, culture and even geography affect each Pacific nation in different ways.

Pacific citizens and policy makers differ in their perspectives on how to fulfil their region's promise. The policy perspective sees a maze of problems to be fixed and an overriding challenge: how to encourage growth? Pacific citizens see these challenges differently, as the most recent hurdles to be overcome in their long and successful habitation of their island homes. They are seeking to adapt and prosper in a changing world. These differing priorities are not incompatible.

This paper argues that a key priority of policy makers should be to reorient the promotion of growth to ensure that it directly addresses the concerns and challenges of Pacific Islanders. Economic growth that directly benefits the poor (the definition of growth used in this paper) can best be achieved by creating real opportunities for people, in the context of their existing culture and expertise. The discussion draws on the experience of World Vision's Pacific development work, and other examples.

Views of Pacific people and civil society

World Vision, an international community-focused development organisation, has operated in the Pacific since the 1970s. Today, the organisation works directly with grassroots communities in Papea New Guinea (PNG), Solomon Islands and Vanuatu. The organisation also conducts research and advocacy on Pacific issues (see Cox 2006; Dorning et al. 2005; Luke 2006), giving us some appreciation of the views and experiences of ordinary Pacific citizens and their representatives in civil society.

The first message from World Vision's experience is that the ambitions of Pacific people are modest, especially in rural areas where subsistence livelihoods continue to be the basis of daily life. A mother in Madang, PNG told us: 'We want enough, plus a little bit more': enough to educate, feed and clothe her children and a little more to provide some security for lean times (Cox 2006:17).

Behind their modest ambition though is a genuine desire to take advantage of any opportunities that may arise. This was evident in the late 1990s as PNG farmers rushed to grow vanilla in response to news of rising world demand. Many farmers experienced the disappointment that followed and are increasingly aware of the risk that goes with such opportunities, especially when they lack good information. 'What I really need,' one farmer told us, 'is information about the international vanilla market' (ibid:18).

Pacific people are aware of other changes happening around them and have mixed feelings about them. A community member in Vanuatu told us that, 'With the life before, people grew up in nakamals (meeting places) whereas in this day people grow up individuals' (Dorning et al. 2005:19). These changes provoke a whole spectrum of responses, including optimism, fear, opportunism, abuse, pragmatism and denial.

Pacific Islanders are finding that the space between their customary lives and the modern world is a difficult one to negotiate, a situation evident in many parts of the region today. It can be argued that violence, political instability, high youth...
unemployment, widespread corruption and abuse of women and children all have some foundation in the disconnect between the traditional and modern worlds. Such uncertainty makes important life decisions difficult for Pacific people. It is hard to decide what work to do, hard to find out how best to do it and very hard to get a reasonable living from it. As with the vanilla growers of PNG, inconsistent, inaccurate and intermittent access to information is a central barrier to overcoming these other obstacles.

Some World Vision activities are attempting to develop and disseminate good quality, relevant information. A collaboration with the PNG National Agricultural Research Institute and local farmers to trial new sweet potato varieties and techniques is resulting in sharing practical expertise and information between all parties in the project. Growers in surrounding areas are now seeking to share the knowledge being gained, creating scope for long term nutritional and economic gain (World Vision PDG 2006).

For most people, custom remains their touchstone in a changing environment. They value their customary structures and leaders more than the emerging 'modern' ones. They are intensely proud of their traditional life and passionate in their commitment to retain their ties to the land and the identity and security it represents. For some, this leads to active resentment at being branded with foreign labels of poverty and disadvantage. World Vision felt the force of this at the recent launch of a discussion paper on PNG.

Responding to a recommendation in the report that poverty reduction be a priority of development interventions, a grassroots community worker's impassioned response was that, 'We are not poor!' before detailing the reasons why this was so.

Nevertheless, poverty does exist, especially in urban settings where the security of customary land is more remote. Research into the potential for achieving the MDGs shows the extent of poverty throughout the Pacific. A World Vision report, 'How are the neighbours?', summarises progress against the MDGs in Asia and the Pacific, and finds comparable poverty levels in the two regions. PNG is unlikely to achieve any of the seven developing country goals while Vanuatu and Solomon Islands are off track for four and five goals respectively (Luke 2006).

Conventional understandings of poverty are not always helpful when considering the situation of people who can live off the natural wealth that surrounds them. Their ambitions and well-being are frustrated by a lack of opportunities, not a lack of resources. As such, poverty of opportunity is a fairer description of the problems faced by many people.

Pacific civil society organisations, not surprisingly, articulate similar perspectives to those outlined above. Some are working at developing a Pacific vision of the world that builds on these ideas. The first priority of many Pacific civil society organisations is land, and the importance of maintaining the customary basis of land ownership. This position was formalised at the 2006 Pacific Civil Society Forum, where delegates declared that 'Natural, cultural and indigenous property rights are a basis for economic growth' and that 'Indigenous property rights are non-negotiable' (Pacific Regional Civil Society Forum 2006:5). Pacific civil society argues that the people themselves are one of the region's principal assets and that consequently pro-poor economic growth initiatives must be developed and implemented with the full participation of Pacific people (ibid).

An important challenge facing Pacific civil society is to move the debate on these issues beyond rhetoric. Calls for Pacific-style development can be easily dismissed when not supported by constructive alternate approaches. It is important to work at articulating these ideas, and some academics and organisations are doing this. For example one group of researchers at University of Goroka are studying Melanesian economic and political systems while another is cataloguing indigenous counting systems. In Madang a PNG-centred history lesson is a core component of one NGO's community development strategy (Cox 2006). As Pacific Islanders, Pacific civil society groups are experiencing the confusion of the traditional and the modern. Two workers from one NGO summed it up, saying: 'We are disoriented, marginalised and confused. We are trying to find our way' (ibid:23).

The short history of most Pacific countries as unified 'modern' states exacerbates these problems. Their political institutions are often shaky and poorly adapted to customary governance systems and their economies hampered by underdeveloped infrastructure, remoteness and limited diversity and depth. It should not be forgotten, though, that the region overall has been mostly stable. Only a few countries have experienced the turmoil that has captured recent attention. PNG in particular continues to defy some observers' expectations by continued adherence to the democratic process.

**An enhanced approach to pro-poor growth**

The mainstream economic initiatives of Pacific governments have concentrated on managing the factors which they can control (Commonwealth of Australia 2006:91) through macro-level policy initiatives. This important work can, given time, reduce the uncertainty which affects the livelihoods of all Pacific people. Inflation needs to be controlled, legislation needs to be streamlined, the cost of doing business needs to be reduced and government stability must be assured. This work is often invisible to civil society but is no less necessary for that. Such initiatives have been less than successful at directly confronting the daily challenges of poverty of opportunity. Nor have they meaningfully responded to the Pacific cultural environment. They are rather blunt instruments for work at this level.
The Pacific Island Forum's Pacific Plan for strengthening regional cooperation and integration adopts this macro approach to what it calls 'sustainable, pro-poor economic growth' (2005:4). Its economic initiatives focus on regional cooperation frameworks, trade agreements, bulk purchasing and a regional digital strategy. These initiatives have some potential to facilitate long-term prosperity in the Pacific.

In the medium term, however, they will offer little to unemployed youth in Honiara, or to rural families looking for ways to supplement their subsistence livelihoods. The poor and disadvantaged need jobs, new ideas and the creation of new opportunities to build on what they have, be it their land, their hands or their traditional knowledge. This will require a range of responses, beginning with more targeted consideration of their interests in planning for economic growth.

From the perspective of World Vision as an NGO dedicated to changing the lives of vulnerable people, economic initiatives can better serve the Pacific's rural and urban poor first by tackling poverty of opportunity head on, by directly creating economic opportunities for the poor. Second, they must be founded on Pacific people's values, strengths and aspirations.

This is not a call to replace existing macro level economic growth initiatives. Instead it is argued that such initiatives be appraised according to their potential to transform people's lives, not just for their effect on the national economy. This approach gives the MDG's a central place in such decision making, providing scope for the explicit linking of anti-poverty and economic growth planning. Explicit consideration of the grassroots will entail more work at a smaller, more human scale, to better target both rural hardship and urban poverty.

It is easier to suggest what can be done for rural populations, by NGOs, government and the private sector. As NGOs we have had some success at promoting economic activity in our partner communities, and not always through explicitly economic focused activities. For example, we have learned from evaluations of some of our programmes that functional literacy can play an important role in equipping communities to improve livelihoods. Local incomes can rise as a result of behaviour change due to increased literacy (World Vision PDG 2005-2006). Similarly our experience in Makira, Solomon Islands has shown that creating diversified community business opportunities can have a general stimulus on the local economy. Economic activities directly initiated by one programme have stimulated wider economic activity, signified by increased demand for soap, kerosene, rice and biscuits, improved payment of school and clinical fees and community investment in productive infrastructure (World Vision PDG 2005).

Unsurprisingly for NGO work, these activities prioritised change at the local level, although some stimulation of wider economic activity might have been expected. Local economic development is in fact essential for sustainable national growth and poverty reduction, a point identified in the agriculture background paper to AusAID's Pacific 2020 report. The report also noted the value and potential of subsistence agriculture, and the important substitution benefit that can come from even a small increase in subsistence production.

The crucial role of transport infrastructure in creating opportunities for the poor is well recognised, as is the need for governments to do much more to provide and maintain it. Investment in improved transport and communications is likely to stimulate other new businesses, like local radio and newspapers, transport and freight services, market intermediaries and so on. Economic activity will follow the roads and shipping lanes, but is not enough on its own. Infrastructure for communication is equally important. Newspapers, radio, phones and even the internet are necessary tools to inform people of economic opportunities and keep them up to date with growing techniques, market prices and other matters of business. It is encouraging that provision for a regional digital strategy is part of the Pacific Plan.

Governments must lay these foundations of pro-poor economic activity but the private sector also has a crucial role to play, not least because the thousands of small producers scattered across the Pacific are themselves the private sector. Governments can change the legislative environment to facilitate their participation, as the PNG government has done by legalising 'informal sector' trade.

Creating opportunities in the towns poses different challenges. Better rural opportunities may reduce the attraction of the towns, but this cannot solve the whole problem. Increased economic activity in the countryside would also stimulate urban economic activity (markets, transport, etc), but more direct intervention is needed.

Can we encourage investment in labour intensive industry and services in the Pacific? Would seasonal labour migration be a useful addition? How can we combat the wastage that entrenched corruption represents, to free up more resources to create jobs? These are difficult questions and we are all still looking for the answers.

What does seem clear is that relevant education, health services and jobs will form the foundation of prosperous, stable, urban Pacific communities. Perhaps most pressing, economic initiatives in urban areas must prioritise the creation of jobs for young adults. This will require creative thinking and some risk taking, as political uncertainty, the high cost of doing business and the fear of violence will limit the rate at which conventional investment will create new jobs. Some individuals and investors will respond quickly to changes, however, without creative solutions that mobilise large numbers of young people the major part of the problem — and its attendant insecurity — will remain.
The cultural disconnect between custom and modernity is likely to be more acute in urban communities, where the disciplines of village life are far away. In Melanesia this has seen clan loyalties and customary practice twisted into rascal activity and other abuses of both customary and codified law. Part of the solution may lie in greater efforts to understand these cultural factors and to ensure that new policy and donor initiatives are built on this improved understanding.

In a localised example, a village in Goroka, PNG, has reinvigorated traditional initiation practices for boys. This has aimed not only to strengthen their traditional values, but also to teach them what they need to better understand and participate in modern life. Several new economic initiatives using both traditional and modern skills have since been implemented, including a successful dance company, improved agriculture and recent attempts at fish farming. It is interesting to note that this work is being done without donor funding (Cox 2006).

Strong leadership grounded in both custom and modernity was a key to the success in that case, and would be as important in any similar work in urban settings. As already stated, customary leadership is commonly valued more highly than Western models. Customary governance structures are similarly important. Community based forms of leadership and decision making are a feature of World Vision's work and that of other NGOs, however, there is often a lack of connection between these structures and 'formal' governance systems. Improving these links could be an important contribution to the enhancement of government decision making for ordinary people.

Conclusion:
Pacific assets, Pacific development

The people of the Pacific tell us that their greatest assets are their connection to their land and their traditional culture, knowledge and practices, developed over generations to best equip them to live in their 'continent of islands'. Many local economic initiatives have built on these assets and there is scope to do much more.

This needs to be initiated at all levels. As NGOs we need always to remind ourselves to work in true partnership with our counterparts in the Pacific. National governments, including Australia's, must pay more than lip service to the 'Pacific way' which, like 'pro-poor development' often appears as a headline above a familiar donor-inspired wish list.

Finally, the Pacific Plan, a blueprint with a potentially transformative role, should build more explicitly on these unique Pacific assets and respond to the priorities of ordinary people. This is a developing area of discussion: the 2006 Pacific civil society forum claimed as its own a commitment to making the Pacific Plan the 'People's Plan'. For all of us, promoting culturally meaningful economic opportunities that directly address the daily concerns of Pacific people must be a central objective.

References

Van Fossen, A 2005, South Pacific futures: Oceania towards 2050, Foundation for Development Cooperation, Australia, Brisbane.
Facing the youth bulge: Livelihood opportunities for young people in Timor-Leste

Richard Curtain, public policy consultant

Introduction
Does public policy have a role in promoting young people’s livelihoods in small states in the Asia-Pacific region? Conventional wisdom today would answer this question with a firm no — all that is needed is setting the right conditions to facilitate economic growth, and the rest can be left to market forces. For remote and isolated small economies, however, this simple formula has mostly failed.

Small economies face a number of specific development hurdles that both limit job growth and makes them unattractive to foreign investors. These include an open domestic market that is heavily reliant on costly imports and a limited range of exports of often fluctuating value, limited private sector capacity due to a lack of diversity in the goods and services produced and exported, high transport and communication costs, and, due to geographical location, a greater susceptibility to natural disasters and environment change (Commonwealth Secretariat and World Bank 2002).

What then can governments and donors do when faced with limited job prospects for a growing youth population? This paper presents the case for investing more in sustainable livelihood opportunities for young people. It underscores the importance of the youth bulge, both as a predictor of social conflict and as a potential source of future development. The paper examines case studies of initiatives that promote rural youth livelihoods in Timor-Leste, and proposes possible ways of scaling up youth livelihood opportunities.

Why young people?
The 15-24 age group accounts for a third of the working age population (aged 15 years and above) in Timor-Leste, and several factors limit the range of livelihood opportunities available to them. The nation’s subsistence-based economy is characterised by a shortage of arable land, low-yielding staple food crops and major periods of hunger each year and this means there are many young people trying to earn a living from ever-depleting resources.

The situation is no better in urban areas. In Dili, for instance, young people comprise almost half (47 per cent) of the working age population. This causes a bottleneck as too many new job seekers chase a static or declining number of jobs. The low growth, low income economies of small developing states such as Timor-Leste fail to meet the high expectations of many high school and tertiary educated job seekers. Tension is exacerbated by the high concentration of young people in the capital, most of whom are male.

Research shows that a large number of young people as a proportion of the working age population together with a poorly performing economy and weak governance (Urdal 2006) are key determinants to a country’s risk of internal conflict. As Table 1 shows, the 2006 conflict-prone countries of Timor-Leste, Solomon Islands and Tonga all have high youth populations (33, 32 and 31 per cent, respectively). Weak economic performance and low government effectiveness (see World Bank rankings) for Papua New Guinea and the Marshall Islands suggest that these countries have high risk profiles. The relatively small numbers of youth in Niue, Cook Islands and Palau is due in part to the opportunities for residents of these countries to seek work abroad.

### Table 1: Youth share of the working population (aged 15 and above)

<table>
<thead>
<tr>
<th>Country</th>
<th>Adult population</th>
<th>Young people (15-24)</th>
<th>Percentage young people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micronesia, Fed. States of</td>
<td>41,902</td>
<td>19,370</td>
<td>37.6</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>26,405</td>
<td>13,035</td>
<td>34.2</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>86,689</td>
<td>34,716</td>
<td>33.3</td>
</tr>
<tr>
<td>Kiribati</td>
<td>38,701</td>
<td>13,249</td>
<td>33.2</td>
</tr>
<tr>
<td>Samoa</td>
<td>88,983</td>
<td>34,741</td>
<td>32.8</td>
</tr>
<tr>
<td>Timor-Leste/2004</td>
<td>524,387</td>
<td>170,975</td>
<td>32.6</td>
</tr>
<tr>
<td>Tonga</td>
<td>50,306</td>
<td>21,834</td>
<td>32.3</td>
</tr>
<tr>
<td>Nauru</td>
<td>5,106</td>
<td>1,877</td>
<td>31.9</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>233,079</td>
<td>97,205</td>
<td>32.2</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>3,524,922</td>
<td>1,060,855</td>
<td>30.9</td>
</tr>
<tr>
<td>Fiji</td>
<td>552,047</td>
<td>160,608</td>
<td>29.0</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>6,648</td>
<td>1,390</td>
<td>26.0</td>
</tr>
<tr>
<td>Niue</td>
<td>1,007</td>
<td>290</td>
<td>25.6</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>7,995</td>
<td>1,676</td>
<td>21.1</td>
</tr>
<tr>
<td>Palau</td>
<td>12,396</td>
<td>2,853</td>
<td>18.1</td>
</tr>
</tbody>
</table>

Source: SPC 2006; Government of Timor-Leste 2004

A youth bulge does, however, provide opportunities for governments to reap a so-called ‘demographic bonus’. This
situation describes the time when fertility rates have dropped and fewer young people are coming through in subsequent age cohorts (Bloom, Canning and Sevilla 2003). Large numbers of young people in the population offers governments a major opportunity to bolster the state’s human capital, which will improve economic prospects (World Bank 2006). This requires long-term planning and effective public policies including promoting gender equality, delivering improved education and public health outcomes as well as facilitating investment to create jobs. The remainder of this paper outlines the types of rural youth livelihoods being promoted in Timor-Leste.

Rural youth livelihoods in Timor-Leste
The subsistence agriculture sector is the largest provider, by a considerable margin, of livelihoods for young people in Timor-Leste. Three in four young people (15-29 years) who are not students work in the agricultural sector (Government of Timor-Leste 2006). The average family has a hectare of land to cultivate, often located on a steep slope, which does not yield sufficient food to feed a family. The result is a widespread ‘hungry period’ of two to four months preceding the maize or rice harvest. This hungry season is associated with a cereal deficit for many families, because the small amounts of stored maize and rice do not last from one harvest to the next (Williams et al. 2006).

With the departure of the Indonesian Government in 1999, the rural economy has suffered from the loss of infrastructure and subsidised services. During the Indonesian period, each village had an extension officer (Penyuluh Pertanian Lapangan), farmers were organised into farmer groups (Kelompok tani) and were supported by rural credit unions and village cooperatives which provided credit and access to subsidised fertilisers and seeds (Deutsch 2004:viii).

Since 2000, there have been a number of new initiatives aimed directly at promoting sustainable livelihoods among young people. The largest of these is the Timorese Young Entrepreneurship Initiative (TYEI), operating in Liquica and Baucau, conducted by the NGO BELUN with funding from USAID. The programme teaches young farmers how to cultivate a range of cash crops and market them. TYEI has helped more than 500 young people in 58 young farmer’s groups at a cost of US$10,000 or $172 per person.

The Agriculture Development Organisation in Lospalos provides agricultural tools and training funds for youth groups to grow rice and horticultural products such as peppers, tomatoes, eggplant, cabbage, and lettuce. About 120 young people in 2006 were expected to receive training through this programme. A young farmers group of 20 in Hau-Bulićo, an area of high food insecurity, has also been funded to learn how to cultivate and market onions, cabbage, tomatoes, carrots and soy beans. Another small group of 27 have been trained by the Timorese NGO Haburas Moris to produce organic fertiliser for commercial sale.

From 2006 the Colegio Canossa Baucau conducted the Maestra di Campagna (village teachers) programme. The students aim to be teachers who can promote examples of better agricultural practice in their own communities, starting with their own family fields. Caritas Australia funds the agriculture training component of the programme which teaches organic agriculture and food processing methods as well as ways to add value to the production process. The students are taught about soil types and appropriate kinds of crops. The numbers of young people involved are not reported but are not likely to be more than 50 per year.

Similarly, the ADM Training Centre in Lospalos provides training for girls and young women to return to their community with the life skills to earn a livelihood and support their families. The centre provides training in cooking, sewing, handicrafts production, home management, small animal husbandry and agriculture.

The Claret Vocational Training Centre in Covalima district provides post-school skills training over a six month period in computers, carpentry, electricity, mechanics, sewing, cooking and agriculture. The intake is 30 young people, evenly divided according to gender. Post training assistance to become self-employed is provided by Caritas Australia. This support is in the form of loans for youth work groups operating as small cooperatives or collectives. Some 45 young people are involved. A professional facilitator is engaged to work with groups to help them set up a business and manage a loan to develop their businesses.

Other initiatives
Other initiatives are also focused on promoting sustainable livelihoods but are not specifically aimed at young people, nevertheless, young people benefit because they comprise such a large share of the adult population. The most significant public programme to address food security is the Food for Life Programme, mainly funded by AusAID. After four years of trials, the programme has reached a point where it has identified and tested for acceptability a range of improved strains of maize, cassava and peanuts which are now being promoted to the population at large. In 2006, some 800 demonstration plots were planted by 600 farmers in four districts (Williams et al. 2006). This was achieved by 11 young agricultural graduates, travelling to villages by motorbike to encourage the wider up-take of the higher yielding seeds (AusAID 2006).

Another significant initiative is Oxfam Australia’s Sustainable livelihoods and Food Security Programme which operates in two districts, involving 500 households in 35 communities,
covering 18,600 people in total. The programme works through six Timorese NGOs to train and support community organisers, community work groups and community health volunteers. The community groups learn about and make use of improved agricultural and agro-forestry techniques, improved food storage facilities, and food preservation and processing methods. The groups are also encouraged to explore other local viable livelihood options. They learn about animal husbandry and fisheries techniques, and sustainable natural resource management practices. The programme has just completed a three cycle and funds are being sought to continue for another three years.

The programme’s community work groups have encountered significant difficulties in trying to improve food security and income generation opportunities. Promoting sustainable livelihoods has not been sufficient in itself to achieve food security. Generating cash income is also essential to enable additional food to be purchased when needed and to improve the nutritional value of the food intake. But cash crops require affordable access to functioning markets and this has been a major obstacle for many of the communities in the two isolated rural districts. An external evaluation of the programme has recommended that further efforts be made to find local market outlets and to investigate untapped markets to aid economic development. Closer links with other programmes aimed at improving food security such as Seeds for Life are also proposed.

Norway’s Stemmme Foundation, through its Community Empowerment Programme, also promotes sustainable agriculture through community-based collective efforts. It operates in 12 villages, covering 3,500 people in the district Liquica. Yayasan Sosial Naroman), the development arm of the Synod of the Protestant Church of East Timor, seeks to achieve ‘integrated food security through the promotion of low-input agriculture’. Its focus is on producing a strong base for food production with related income generating components. This programme serves communities in nine districts.

LAHO’s silk farm provides training and support to local farmers in the Baucau district to generate a cash income from cultivating mulberry trees and feeding silkworm cocoons. The venture also provides sustainable employment for staff from the manufacture of silk products. Training is provided each year for groups of 25 farmers, most of whom (85 per cent) are aged between 17 and 25 years of age.

Illiteracy among young people (as well as the general population) is common in Timor-Leste, and there are a number of programmes designed to address this issue. The 2004 Census indicates that 28 per cent of young people, both male and female, aged 10-19 years are not literate in any of the four official languages of Timor-Leste. In addition, almost a quarter of young people aged 13-18 had received no schooling or did not state their level of educational attainment.

The Ministry of Education and Culture’s Youth and Adult Literacy and Distance Education Programme reaches about 6,000 out-of-school youth and adults a year (Ministry of Education and Culture 2004). Through the use of Tetum-language videos and books, the programme uses trainers with basic education to provide basic literacy classes. Additional training modules in Tetum have been developed on sustainable agriculture, the environment, health prevention, local culture, languages and communication, the economy, work and transport, basic mathematics, basic science, human rights, geography and public administration. These modules were due to be field-tested in the latter half of 2006.

**Conclusion**

The initiatives promoting improved rural livelihoods for young people in Timor-Leste are small scale, not linked to similar programmes and narrow in focus. The largest programme, the Timorese Young Entrepreneurship Initiative, has helped only 500 young people in one district. There are other pilot projects, but these have been set up to test a concept rather than to operate as a large-scale programme on a district wide or national basis. The sustainable livelihood initiatives aimed at the population at large also suffer from being restricted in their scale of operation and geographical coverage.

Promoting sustainable livelihoods based merely on improving staple food crops can be challenged as a self-defeating strategy if it does not include cash crops and access to markets. Major problems of weak demand in local markets, and costly transport to larger markets need to be addressed by direct forms of intervention. Identifying new sources of cash income with more lucrative markets to replace coffee and rice are also needed.

Several programmes such as Seeds for Life and the Youth and Adult Literacy Education Programme are poised to operate on a much larger scale, if more resources are available from the Government or donors. In both instances, young people need to be at the forefront of efforts to expand the reach of these programmes. Young agricultural high school graduates could be employed to promote the widespread adoption of higher yielding staple food crops. They could also encourage and monitor the planting of new cash crops. Unemployed educated young people could also be mobilised through a national youth service to teach their illiterate peers, using the new Tetum-based literacy modules on sustainable agriculture, the environment, health prevention and basic financial competency.

The youth bulge is a major source of demographic pressure on small states with weak economies and poor governance. Merely providing the right conditions for market forces to open up livelihood opportunities for young people is an insufficient policy response. More direct forms of intervention are needed. In the case of Timor-Leste, these include building on the lessons
of pilot projects to fund large numbers of young people to promote sustainable livelihoods among themselves and the wider community.

References
Bloom, D, D Canning and J Sevilla 2003, 'The debate over the effects of population change on economic growth: A new perspective on the economic consequences of population change', Rand Corporation, Santa Monica, California.
The role of tourism for pro-poor growth in the Pacific*

Theodore Levantis, AusAID†

"Tropical paradise" is synonymous with the countries of the South Pacific. But in these idyllic natural environments, poverty is endemic and growth and development elusive. Are these countries destined for widespread poverty, stagnant growth and donor dependence into perpetuity? Or is there a genuine prospect for the sustained high growth needed for prosperity? It is argued here that there exists substantial opportunity for socio-economic growth, but this requires a strong focus on tourism as the key complementary sector to agriculture.

Where will economic prosperity come from?
The small island countries of the Pacific are geographically isolated and small, resulting in high transport and production costs. Sustainable pro-poor growth must come from sectors where there is comparative advantage. Moreover, economic activity in these sectors must rise above the burdens of geographic isolation and small scale to be internationally competitive. For there to be growth, it must be export orientated.

The countries of the Pacific have key export sectors that have emerged as a result of comparative advantage. These are in agriculture (particularly in tropical tree crops), forestry, fishing, mining, and tourism. If there is to be pro-poor growth in the Pacific, it will be based around these sectors (AusAID 2006). However, the manufacturing sector has been in receipt of undue attention among governments in the Pacific, as evidenced by the prevalence of high protective tariffs.

For most, if not all countries of the Pacific, tourism represents a viable source of sustained economic growth. There are good examples of small island states elsewhere in the world that have developed on the basis of tourism. Bahamas, Barbados, Cyprus and Seychelles are countries with demographic and geographic profiles similar to those found in the Pacific and are all countries that have emerged from third world status on the basis of a tourism industry (Table 1). Bahamas and Cyprus are similar in land area to Vanuatu, and Seychelles and Barbados are similar to Tonga.

Seychelles represents a particularly interesting parallel with the Pacific as it is a tiny island nation that gained independence in 1976 from Great Britain and is located in the Indian Ocean, remote from key tourist markets. Its nearest neighbours in Africa are among the poorest nations in the world. The distance of Seychelles from its main market of Western Europe is similar to the distances of the Pacific islands to the west coast of the USA and the key east Asian markets, and much greater that the distances to the Australian and New Zealand markets. One-third of the labour force in Seychelles is engaged in the tourism sector, and its GDP per capita is about three times larger than Fiji.

March 2007

Table 1: Prosperous small island countries with tourism based economies, 2005

<table>
<thead>
<tr>
<th>Population ('000)</th>
<th>GDP/capita (US$'000)</th>
<th>Land area (sq. km)</th>
<th>Tourism receipts (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
<td>319</td>
<td>18130</td>
<td>33880</td>
</tr>
<tr>
<td>Barbados</td>
<td>280</td>
<td>10589</td>
<td>430</td>
</tr>
<tr>
<td>Cyprus</td>
<td>784</td>
<td>19635</td>
<td>9250</td>
</tr>
<tr>
<td>Seychelles</td>
<td>85</td>
<td>8544</td>
<td>460</td>
</tr>
</tbody>
</table>


Of particular importance for the Pacific, the tourism industry encompasses a diverse array of differentiated products. This compares to the range of primary commodities exported from Pacific countries where there is minimal product differentiation and producers Pacific must be price competitive with those elsewhere in the world. In contrast, the considerable cost disadvantages faced by the Pacific countries as a result of their remoteness and size can be overcome in the tourism industry.
by marketing a different product. This can be built around the attractions of nature; remoteness and small scale can be turned into a positive and valuable aspect of the tourist product.

Nature has given the countries of the Pacific a wonderful array of attractions for a tourism industry. There is pristine and diverse geography, tropical rainforests, rugged highlands, volcanoes, atoll islands, and tranquil beaches. The flora, fauna and the biodiversity are remarkable. The opportunities for recreational diving and sports fishing are good with unspoilt coral reefs and rich fish resources. There are a multitude of opportunities to develop holiday locations in 'idyllic paradise' settings. Of further tourism appeal, most of the population continues to live in the village environment and abide by traditional cultural institutions.

**The international tourism market**

Tourism is one of the world's most important traded sectors. In 2005, total world trade in tourism services reached US$685 billion, representing nearly six per cent of all legitimate trade in goods and services (Figure 2). This amount excludes earnings from tourism related air and sea transport. In comparison, the aggregate of world trade in all of the key commodities of the Pacific — gold, copper, copra, coffee, cocoa, palm oil, sugar, forestry and fishing — was US$132 billion, just one-fifth of the value of trade in tourism. Importantly, the value of world trade in tourism is far more stable than that for these other commodities. For example, the worst growth outcome in the last two decades was after the New York terrorist attacks in 2001, when world trade fell by just one per cent while growth in international tourism has been consistently strong averaging about six per cent a year over the last quarter of a century. Strong
Figure 4: Average annual growth in tourist arrivals, 1980–2004

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>0.0</td>
<td>1.2</td>
<td>4.3</td>
<td>5.8</td>
</tr>
<tr>
<td>New Caledonia</td>
<td>0.0</td>
<td>2.1</td>
<td>6.0</td>
<td>7.5</td>
</tr>
<tr>
<td>French Polynesia</td>
<td>0.0</td>
<td>2.3</td>
<td>5.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Fiji</td>
<td>0.0</td>
<td>2.5</td>
<td>5.5</td>
<td>7.0</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>0.0</td>
<td>2.7</td>
<td>5.6</td>
<td>7.1</td>
</tr>
<tr>
<td>Tonga</td>
<td>0.0</td>
<td>2.8</td>
<td>5.7</td>
<td>7.2</td>
</tr>
<tr>
<td>Samoa</td>
<td>0.0</td>
<td>2.9</td>
<td>5.8</td>
<td>7.3</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>0.0</td>
<td>3.0</td>
<td>5.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Pacific</td>
<td>0.0</td>
<td>3.1</td>
<td>6.0</td>
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<tr>
<td>Asia-Pacific</td>
<td>0.0</td>
<td>3.2</td>
<td>6.1</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Source: UNWTO 2006; South Pacific Tourism Organisation 2006

Growth has continued over the period 2002–2005 despite the surge in oil prices which has significantly lifted the cost of travel. This can be explained by increasing wealth and incomes across developed and emerging economies — a pattern that is likely to continue, thereby underpinning continued strong growth in tourism for the foreseeable future.

Importantly for Pacific countries, tourism growth has been particularly strong in the Asia-Pacific region with the value of tourism exports growing on average ten per cent a year since 1980. By 2004, the Asia-Pacific region had attracted nearly 19 per cent of all tourist arrivals, up from 14 per cent a decade earlier and just four per cent in the mid 1970s (Figure 3).

The Pacific: Lagging behind

The average annual growth over the last quarter of a century of ten per cent in the value of tourism exports for the Asia-Pacific region is underpinned by average growth in tourist arrivals of just over eight per cent a year (Figure 4). Tourism growth to Pacific countries has significantly lagged behind the broader Asia-Pacific region with average annual growth since 1980 of just four per cent. In 1980, the Pacific represented about two per cent of the Asia-Pacific tourism market. By 2004, this had fallen to 0.8 per cent. The pattern of lagged growth is characteristic of all Pacific countries, with the growth outcomes of the best performers, Samoa and Cook Islands, still much less than for the Asia-Pacific region as a whole.

The relatively weak performance of tourism in the Pacific may be explained by a number of factors. An overarching issue is likely to be the low priority placed on the tourism sector by Pacific governments. The tourism sector generally has weak bureaucratic representation and is often not considered in policy formation.

One of the key consequences of tourism being given low priority among governments and causing tourism growth to be held back is the promotion of non-competitive aviation policy. This has led to the operation of high cost and low air quality services throughout the Pacific. Micro airlines dominate these services, some with just one aircraft. These airlines lack the marketing capability of the larger airlines. On a positive note, Vanuatu embraced competition in 2004 and Samoa did the same in 2005. In both countries, the response has been a surge in tourism growth.

Other key constraints that affect growth in tourism, and in some cases, growth in other sectors, include:

- an unfavourable investment and regulatory regime for the private sector;
- law and order problems (especially in PNG and Solomon Islands);
- political and social instability (Fiji, Solomon Islands, and more recently, Tonga);
- lack of government attention to tourism marketing and extension services;
Tourism and pro-poor economic benefits

Not only does the tourism sector offer a fundamental source of sustained growth in the Pacific, but the nature of this growth is broad based and pro-poor. It supports a diverse set of private sector activities, including accommodation, hire car, taxis, boat charter, tours, cultural entertainment, retail shops, markets, restaurants, cafes, fast food shops, sport facilities, museums, and specialised tourist attractions. Employment in these activities is dominated by low skilled jobs, of which the Pacific has an abundant supply. There is also opportunity for the poor to establish micro and small businesses in these activities. A key characteristic of the tourism industry is the diversity of businesses that can participate, ranging from informal micro businesses to large international enterprises. For example, the spectrum of accommodation services could range from shared rooms in villages operated by villagers, to international luxury resorts.

The tourism sector is often dismissed as a source for pro-poor growth on the grounds that spending by tourists does not remain in the country. The basis for this is that the international hotels tend to be enclave in nature with tourists often not venturing out of the confines of the hotel. However, these hotels use substantial local labour, particularly low skilled labour. They are also important users of locally purchased inputs — including fresh foods, electricity, and telecommunications — they pay rent for their land, and they pay local taxes. These connections to the local economy are generally stronger than the links offered by the mining, forestry and fishing industries which tend to be capital intensive, use substantial local labour, particularly low skilled labour. They also are typical in a development context that the freed up labour and capital intensive, use substantial local labour. They also are typical in a development context that the freed up labour and

Detailed survey analysis undertaken by Milne (2005) confirmed that most spending by tourists in Pacific countries flows directly through to domestic economic activity. It was calculated that of the US$1,522 billion in tourist receipts for Pacific countries in 2004, two-thirds went to local interests (Table 2). Importantly, one-quarter of all tourism spending was found to go to local labour — and most of this would be low skilled or semi-skilled. One-third was re-diverted to purchase foreign labour, imported inputs and other payments abroad, mainly interest and dividend payments. But this is likely to overstate the degree of leakage as these calculations did not account for local income taxes paid by foreign workers, tariffs and value added taxes collected on imported inputs, and dividend withholding taxes paid on repatriated dividends.

When tourists buy goods and services from domestic micro, small and medium enterprises, almost all of that spending remains in the country. So the result, that two-thirds of tourism spending diverts to local sources, while a good outcome, would be better if there were a greater take up of domestic micro, small and medium enterprises supporting a tourism industry. This would happen if governments in the Pacific paid more attention to:

1. the private sector as the engine for pro-poor growth; and
2. the tourism sector as a key source for pro-poor growth.

Table 2: Destination of tourist receipts in Pacific countries, 2004

<table>
<thead>
<tr>
<th>Description</th>
<th>US$ million</th>
<th>Per cent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tourist receipts</td>
<td>1,522</td>
<td>100%</td>
</tr>
<tr>
<td>Total foreign outlays</td>
<td>508</td>
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<tr>
<td>foreign labour</td>
<td>122</td>
<td>8%</td>
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<tr>
<td>imported goods and services</td>
<td>203</td>
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<tr>
<td>other foreign payments</td>
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<tr>
<td>Total local expenditures</td>
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<tr>
<td>local labour</td>
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<tr>
<td>local goods and services</td>
<td>375</td>
<td>25%</td>
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<tr>
<td>other local expenditures</td>
<td>274</td>
<td>18%</td>
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</tbody>
</table>

Source: Milne 2005

The complementarity of tourism and agriculture

As most people of the Pacific depend on agriculture and growth in agriculture is fundamental for pro-poor growth. But given that there exists a limit to the availability of quality land, growth in agriculture necessarily implies productivity growth; achieving productivity growth in the Pacific means using the land and labour inputs more effectively. This can be achieved in a number of ways, such as by improving crop varieties, intensifying land use or using fertilisers. But one key way of improving productivity is by increasing the use of tools and other equipment. Labour is then shed as production processes become increasingly capital intensive.

Historical experience suggests that shedding labour from agriculture is the usual process of economic development. It is also typical in a development context that the freed up labour from agriculture moves into other emerging sectors, particularly into the industrial sector. But in the Pacific, industrial production
will never become an important sector. At the same time, mining, forestry and fishing are all capital intensive sectors with limited scope for absorbing freed up agricultural labour.

Shedding labour from agriculture will lead to serious socio-economic problems, surplus labour, and urbanisation problems in the Pacific unless there are other labour intensive emerging sectors that can mop up the labour. Population growth augments the problem. This is why successful pro-poor growth in the countries of the Pacific requires productivity growth in agriculture to operate in conjunction with a growing tourism sector. In contrast to agriculture, growth in tourism does not imply growth in productivity, but on investment in the expansion of tourism services, and in turn, an expansion in employment. These services are invariably labour intensive and, being a service industry, it is often the case that the better the tourist product, the more labour intensive it is.

The complementarity of tourism and agriculture goes further because the tourism industry is mostly based outside urban areas. The bulk of the population in the Pacific reside in rural areas, but rapid urbanisation is already emerging as a serious socio-economic problem as people leave their agricultural lands and their villages in search of better opportunities in town. Rural based tourism offers alternative opportunities that encourage people to stay in their villages. Opportunities become available for supplying inputs to local hotels and restaurants, including supplying fruit, vegetables and seafood.

**Summing up**

Despite the low priority often given to tourism in the formulation of government policy, tourism has emerged as the most important export for most Pacific countries (Figure 5). The exceptions are PNG and New Caledonia, where mineral exports dominate; Solomon Islands, where forestry products are the primary export; and Kiribati, which mainly exports copra on the basis of heavy subsidisation. The Cook Islands has by far the most tourism intensive economy and in half the Pacific countries, tourism exports exceed the combined total of all merchandise exports. For Fiji, tourism receipts exceed the combined total of exports of sugar and textiles.

The dominance of tourism in a policy environment where tourism is not in receipt of favourable treatment compared to other sectors demonstrates the comparative advantage and competitiveness of tourism for the region. The industry has proved to be a winner in the Pacific, despite weaknesses in the enabling environment and private sector development, which are the backbone to a tourism sector. Addressing constraints to tourism would be a key step toward enhancing pro-poor growth, and moving toward prosperity.
Notes
* The views in this paper are of the author and do not necessarily reflect the views of AusAID.
† The author would like to acknowledge the helpful comments of Stephen Flower.

References

A challenge for Australia’s health aid strategy: Access to health services for the poor

Peter Leslie Annear, Globalism Institute, RMIT University and
Jim Tulloch, Principal Health Advisor, AusAID

Introduction

As early as 1978, the Alma-Ata declaration on primary health care established that ‘... inequality in the health status of the people, particularly between developed and developing countries as well as within countries, is politically, socially, and economically unacceptable’ (WHO 1978). Almost 30 years on, we can repeat these words with equal urgency. In recent decades, the international attention given to increasing the efficiency of developing country health systems has not been equally matched by initiatives to improve effectiveness or to provide equity. The poor are often excluded from access to health care even where service delivery has improved. Finding the ways to provide needed health services for the poor is a challenge facing development agencies working within the context of the Australian Government’s 2006 White Paper on development assistance and of AusAID’s new health policy of 2006. Successful new initiatives in health assistance for the poor in Cambodia, as outlined in this paper, may help to show the way forward.

Australian aid policy

The 2006 White Paper on the Australian Government’s overseas aid programme, establishes clear priorities in four key areas: economic growth, functioning and effective states, investing in people, and regional stability and cooperation (AusAID 2006). The White Paper underpins the promised doubling of Australian aid to $4 billion annually by 2010. The objective of Australian aid will be to assist developing countries to reduce poverty and achieve sustainable development in line with Australia’s national interests. The White Paper supersedes the 1997 Simons Review (Simons, Hart et al. 1997) — which made poverty reduction the one clear focus of the aid programme — and builds on 2002 parliamentary statements by Foreign Affairs Minister Alexander Downer (Downer 2002a; Downer 2002b). It reaffirms Australia’s close socio-economic, political, security and development ties with the Asia-Pacific region (especially in Pacific countries where other donors have reduced their presence), and identifies the Mekong region as a vulnerable area in need of support (along with Papua New Guinea (PNG), Indonesia and the Philippines).

The White Paper commits aid to the health and education sectors. All aid programmes are offered within the context of an elevated requirement for proving the good performance and effectiveness of aid strategies and interventions. ‘... which will articulate expectations at the country level more clearly and provide a better basis for assessing the impact of aid efforts’ (AusAID 2006:58). This will include upgrading country strategies, more rigorous selection of activities, incentives for good country performance, linking aid payments to delivery of specific outputs, and improved monitoring and evaluation. In the health sector, Australian aid will reflect both the diverse health needs of each country and wider aspects of aid and development, and the priority accorded to health assistance in each case will be determined by the country programme strategy. In China, for example, Australia will seek to build government-to-government linkages and work on regional issues such as water supply and health security. In South Asia, the aid programme aims to develop partnerships with multilateral agencies, NGOs and other donors. In both Asia and the Pacific, regional integration and cooperation are given particular importance.

Arguing that ‘a healthy and educated workforce is more productive and enables an economy to be competitive, thereby increasing aggregate growth’ (ibid:47), the White Paper pays special attention to strengthening country health systems, and includes among its priorities HIV treatment and anti-malaria initiatives in the Pacific, pandemic response capability, and maternal and child health services. Ineffective health systems lacking resources and skilled staff are unable to respond to such health concerns, reduce productivity and jeopardise national development. For example, three-quarters of maternal deaths in countries like PNG, Cambodia, Laos or Timor-Leste could be averted by the use of proven cost effective interventions. Moreover, the weakness of government service delivery means that health care costs are paid mostly as private out-of-pocket expenditures and that health care costs are a major source of financial crisis and impoverishment of families. Australian aid will therefore focus on sustainable financing, health sector reform, health information systems, workforce development, scholarships and institutional links, and health infrastructure as well as the needs of women and children, and disease care and prevention.
AusAID's new health policy takes the White Paper as its point of departure and situates Australia's health assistance within the context of the Millennium Development Goals (MDGs) for health, namely: reducing child mortality; improving maternal health; and combating HIV/AIDS, malaria and other diseases (AusAID 2006b). The remaining five MDGs — addressing poverty and hunger, primary education, gender equality, environmental sustainability (including water supply and sanitation), and global partnerships (including trade issues like access to essential drugs as well as debt relief) — all have a strong impact on health status. The health policy focuses attention on the main questions of international health and in particular on those areas where AusAID can have an influence. Within this context, the development priorities identified in the policy include: strengthening health system fundamentals; improving system capacity to better address priority areas such as the needs of women and children and country specific causes of a high burden of disease; and ensuring health systems can reduce regional vulnerability to emerging infectious diseases such as HIV/AIDS and Avian flu.

Focusing its attention on strengthening health delivery systems, the policy argues that health assistance should be aligned with the national policies of recipient countries, be harmonised between donors, and use strategic delivery mechanisms such as sector wide approaches. It commits AusAID to a results orientation with strengthened monitoring and evaluation and a stricter reliance on evidence-based policy informed by operational research, all within the context of good governance. As well as reinforcing a commitment to gender issues, the policy identifies equity in health care and the targeting of vulnerable groups as essential.

A concern to improve the ability of households and communities to access the health services they need at an affordable cost underpins the policy. It establishes that, both within countries and between them, the extent of inequities in access to health care is increasing. Providing access to health services for the poor is consistent with the commitments of the WHO Charter, which emphasises that health should be supported as a universal human right. As well, there are compelling reasons for investing in health related to better enabling work, improving personal productivity, raising standards of living, and overcoming poverty. The costs of health care are, in many developing countries, a major cause of impoverishment. Similarly, the strengthening of public health services will go some of the way in redressing the current imbalance in many countries between private and public health service delivery (commonly, private spending reaches 80 per cent and public spending only 20 per cent of total health expenditures, even where governments provide the bulk of the health care infrastructure). Consequently, the White Paper and health policy provide the opportunity to re-examine issues of equity, access to services, and innovative programmes in health financing and service delivery, especially those related to poverty.

Access to health services

The almost universal imposition of user fees for public health services has been a key feature of international health policy and practice in recent decades. However, cost recovery and fee-exemption systems have commonly functioned inefficiently. In many cases, this has resulted in the exclusion of the poor from access to needed services. Both WHO and the DAC (the OECD's Development Assistance Committee) have argued for tailoring health financing systems in a way that addresses the needs of the poor (DAC 2003; WHO 2003a). There is, therefore, a recognised need for health financing mechanisms that meet unsatisfied demand, improve the quality of service delivery, increase the utilisation of government facilities, and provide access for the poor.

The Cambodian case study

While Cambodia is a developing country with an under-resourced health system, a number of health reform proposals have been tested or pioneered there: the right to levy regulated user fees at public facilities was granted in 1996; the sub-contracting of government health service delivery to non-government providers (contracting) and community based health insurance (CBHI) were both first introduced in 1999; in 2000, a new model of health financing and relief for the poor, called health equity funding (HEF), emerged and has spread rapidly across the country (see Figure 1).

Recent research in Cambodia, commissioned by AusAID and carried out by RMIT University in conjunction with WHO and the Cambodian Ministry of Health (MOH), showed that contracting and HEF had a marked, positive effect on facility utilisation, particularly when used in combination, and that HEF was the main means for increasing access for the poor, while CBHI works in general to help prevent the impoverishment of the not-so-poor. The study (Annear, Wilkinson et al. 2006), conducted between July and December 2005, compared the extent to which contracting, HEF, and CBHI increased access to health services for the poor and reduced the impact of health costs as a cause of poverty, in comparison to standard state service delivery with user fees and exemptions. For a range of quantitative indicators of utilisation, revenues and exemptions, the study analysed routine longitudinal data provided by the MOH and the NGOs responsible for implementing the various schemes in different health districts. Additionally, in-depth case studies were made of arrangements and outcomes in two selected health districts: a rural site that has all pilot schemes running (contracting, HEF, CBHI), and the only urban site (Phnom Penh, with HEF and CBHI).
Contracting

Denotes a scheme in which all government health services at district level (primary-level care at health centres and secondary-level care at district referral hospitals) are managed and delivered by a non-government operator working under contract to the MOH, using MOH staff with performance agreements, and funded in Cambodia through the ADB/World Bank health sector support project (in 11 health districts).

Health equity funding

A third party payer scheme for poor patients in which a fund is managed at district level by a local agent (usually NGO, supervised by an international NGO, and funded by donors or in some cases through community collections). The poor are identified at or prior to the point of service and receive free care at the health facility. The facility then receives reimbursement monthly, directly from the fund for services provided to the poor. May eventually become tax funded.

Community based health insurance

Local-level insurance schemes funded by user premiums and managed commonly by an international or local NGO. Patients pay the costs of health care at nominated government facilities and then receive reimbursement from the insurance fund. May eventually be included under the umbrella of the anticipated tax funded social health insurance scheme.

Figure 1: Contracting, health equity funding and community based health insurance

Thirty-six per cent of Cambodia's 13 million people live below the national poverty line of US$0.46-0.63 a day (Ministry of Planning and World Food Program 2001). Many of these people are excluded from health services because of costs and other barriers to access, and the poorest quartile of the population is more than four times more likely than the most affluent to go without any treatment for moderate or serious illness or injury (NIPH 1998). There are a number of barriers that limit access to services in Cambodia, including:

- physical barriers (distance, transport, limited opening hours);
- financial barriers (health cost, inadequate exemptions, opportunity costs);
- quality of service (lack of resources, unmotivated staff, weak regulation);
- insufficient knowledge (lack of information, inadequate information, education, communication, lack of confidence in services);
- socio-cultural barriers (preference for home-based care and traditional healers, spiritualism).

The study concluded that some, but not all of these barriers may be addressed by the different financing and service delivery mechanisms, and that some barriers constitute a constraint on the implementation of these schemes.

By January 2006, these health financing and pro-poor schemes had extensive coverage across Cambodia. Taken together, the schemes covered a population catchment of more than five million from a national population of 13 million. The number of poor people who currently may potentially benefit from these schemes was estimated at 1.5 million. And the actual number of beneficiaries who had already received financial support was in the order of 50,000-80,000. By the beginning of 2006, there were 20 different donor and international NGOs and nine different local organisations1 individually and jointly funding or administering 40 different localised HEF, CBHI and contracting schemes operating mainly at referral hospitals in 29 out of a total of 76 health districts in 18 of Cambodia’s 24 provinces.2 Of all the health districts with such schemes, 11 operated under contracting arrangements; HEF schemes had commenced in 22; and five had CBHI, with overlap between the schemes in different health districts. All these districts and schemes were included in the study, while five health districts administered by the MOH without other assistance or pro-poor schemes were included to act as a control group.

The evidence from health districts where these schemes operated (within the period 2000-2005) suggests that contracting improved utilisation of services through use of increased resources, better management, and improved quality of care, but was generally associated with a low exemptions rate (in the order of 0-15 per cent of patients) and did not target the poor. Utilisation at contracting facilities increased even further when combined with HEF. HIF, a targeted scheme that works best with pre-identification of the poor, significantly increased access and utilisation by the poor without eroding the fee-paying base at most facilities. Increased utilisation from HIF was clearly evident in at least 13 health districts in the study where reliable data was available, and the proportion of HIF-supported inpatients to total admissions approached the level of average poverty in each district. CBHI assisted the not-se-poor to avoid impoverishment due to health costs.

For example, using the bed occupancy rate as a measure of hospital admissions and capacity utilisation, the MOH district referral hospitals not receiving other support were found to operate on average at 40-50 per cent capacity. Contracting schemes were purposely implemented in poorly performing health districts that subsequently showed a steep increase in capacity utilisation, particularly when combined with HEF. Similarly, HEF districts showed a consistent increase from a low base, reaching an average level of 80-100 per cent bed occupancy rate. It appears therefore that HEF in particular is very effective (and cost-effective) in raising utilisation rates and
achieving full use of hospital capacity. The combination of contracting and HEF seems to be a particularly effective way to raise capacity utilisation.

HEF was particularly effective in protecting the poor from unaffordable health care. As the poorer health districts were targeted for implementation of the various schemes, poverty in all districts was above the national average (poorer districts were selected also for the MOH control group). Typically, 40-50 per cent of the population in the selected districts lived below the poverty line, and it was assumed that the same proportion should be eligible for exemptions or HEF benefits, or would otherwise generally be excluded from health care. In all HEF-supported districts, the average proportion of hospital inpatients receiving HEF benefits rose to the level of average poverty and above, thus indicating that the poor were fully protected. This was not true in MOH control districts. Fee-exemptions granted by the health facilities in MOH control districts (without HEF support) remained below the average level of poverty, therefore failing to fully protect the poor. Moreover, because the facilities received no reimbursement for these exemptions, the facilities were also denied much needed revenue from the user fees not collected. The results indicate that fee-exemptions alone (in the absence of HEF funding) were not a satisfactory way to meet the needs of the poor.

The findings from the case studies supported the conclusions of the quantitative analysis. The case studies analysed quantitative and qualitative data collected from poor households during pre-identification surveys for HEF eligibility as well as three focus group discussions with HEF beneficiaries and non-beneficiaries and eight key informant interviews conducted for the study. The findings suggest that the availability of HEF worked to increase access to health services for the poor; to reduce out-of-pocket expenses for health care. Generally, recipients greatly valued their HEF entitlement and often felt more empowered to demand better quality of service. HEF and contracting both worked to improve staff behaviour toward patients, to make services more responsive to the poor, and to increase the accountability of providers. Interviews confirmed that stakeholders generally regarded HEF and CBHI as complementary schemes, serving different social groups, but also regarded CBHI as more likely to be financially sustainable.

The case study findings also suggested that the level and duration of household debt incurred to meet health care costs is a reliable indicator of the impact of health costs on poverty and of relief provided through the pro-poor financing schemes. The evidence confirmed that the availability of HEF significantly reduced the need to borrow money to meet health care costs, strengthened the borrower's position in negotiating interest rates, and reduced the impact of health costs on impoverishment. In the absence of HEF, some informants faced interest rates that were onerous, from 27-46 per cent per month; in HEF-supported areas, informants reported interest rates in the range 7-15 per cent per month. It is reasonable to suggest, therefore, that the level of interest rates and repayments are frequently a more important cause of impoverishment than simply the size of the health debt itself.

Furthermore, a greater proportion of those families living in the HEF-supported area reported use of the public health system than in the non-HEF area. However, the likelihood of being in debt for health care was significantly greater for people reporting a chronic disease (such as diabetes, HIV/AIDS, heart disease or hypertension), for which the public health system does not provide adequate service. While neither HEF nor CBHI provided coverage for ongoing care of chronic diseases, the availability of HEF did appear to reduce the problem of indebtedness for health care for chronic disease compared to areas where HEF was not available.

It appears that HEF, in particular, is a low cost and cost effective means for targeting the poor. According to different studies across 16 health districts, the total annual cost of operating the HEF at district level ranged from US$25,000-$50,000, or from US$0.14-$0.19 per capita. Per capita costs paid to beneficiaries averaged from US$7 to US$43 per annum. And operating costs were in the range of 18-29 per cent of total costs (WHO Cambodia 2006). The potential annual cost of extending HEF to 31 health districts that currently operate below the national average for facility utilisation and to all tertiary-level national hospitals was calculated at US$1.8 million in another study, and for CBHI at US$5.4 million (Fabricant 2006). The same study estimated the annual cost of extending contracting on the same scale would be US$23.5 million (compared to a current health budget of US$59 million).

**Lessons for developing countries**

Cambodia provides a unique example where contracting for health services delivery and the HEF model were pioneered, and where CBHI has become an integral part of the Government's proposed social health insurance policy (Keller and Schwartz 2001; WHO 2003b; Ministry of Health 2006; Loevinson n.d.). The study showed HEF was the most effective scheme for providing increased health coverage for the poor and for reducing impoverishment due to health costs. HEF had expanded rapidly and spontaneously, suggesting that stakeholders believed it met the real needs of the poor for access to health services. HEF significantly increased utilisation of facilities, targeted the poor, provided access for the poor who previously could not attend due to cost, reduced debt and interest payments for health care, reduced the impact of health costs on impoverishment, and provided a needed subsidy to facilities. HEF is low cost and requires a low capital investment with few
barriers to entry of new schemes. Contracting increased utilisation, reduced average health costs to users, improved service quality, made public health services more accessible, acted indirectly to benefit the poor, and was most effectively implemented in conjunction with HEF. CBHI in general worked to prevent the not-so-poor from falling into real poverty due to health costs, especially or catastrophic events. The sustainability of the HEF (and contracting too) requires, however, ongoing financial commitment by donors and international agencies, until government can support the costs through its budget revenues. Continued donor support is justified by cost effectiveness, equity and service improvement outcomes.

The implementation of these schemes, and HEF in particular, meet the requirements of the Australian aid policy for effectiveness in aid outcomes and the proposed AusAID strategy for strengthening health systems and addressing equity. With increased utilisation, greater use of existing capacity, better access for the poor, and improved revenues to health facilities (from fees, HEF receipts and CBHI reimbursements), the quality of service increases and balance is restored in the use of public versus private health services. The use of HEF addresses the shortcomings of previous, unfunded, fee-exemption systems health services can therefore be restored. The lessons learned in Cambodia, particularly in relation to the efficacy of addressing the needs of the poor through health equity funding, could therefore be applied productively in similar developing countries.

Notes
- The donor, international and NGOs involved in financing and implementing these schemes included: ADB, Belgian Technical Cooperation, CARE Cambodia, DFID UK, EU, Canadian IDA, French Ministry of Foreign Affairs, Groupe de Recherche et d'Exchanges Technologiques France, German Technical Cooperation, Health Net International, Health Unlimited, Japan Fund For Poverty Reduction, Save the Children Australia, Swiss Red Cross, UNICEF, UNFPA, University Research Company US, USAID, VSO UK, and World Bank.
- The Cambodian health system is organised nationally into 76 health 'Operational Districts' (ODs) covering an average population of 100,000-200,000, each with a 'referral hospital' for secondary level health services and 10-20 'health centres' for primary care. Tertiary hospital care is generally provided at 'National Hospitals' in the capital, Phnom Penh.
- The Phnom Penh case study analysed quantitative data from 3209 poor households with debt for health care, taken from the HEF provider's database of 7000 households registered during pre-identification for HEF eligibility in 2004-5, and qualitative data from interviews with 43 of these families.

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Poverty in the Democratic Republic of Congo

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Introduction
This paper provides the results of a poverty survey undertaken in the Democratic Republic of Congo (DRC) in 2005/2006. In DRC, as in other African countries, the existence of poverty is often taken for granted and it is assumed that it is simply the fate of some people to be poor and others rich. It has long been the case, however, that there is sufficient wealth and resources to eradicate poverty, if only they were better distributed. We found this to be true in the DRC.

The problem is not that DRC is unable to meet the basic needs of its people, but that the country’s structures are organised in such a way that it fails to do so. The Government of this country cannot sympathise with the victims of civil wars, earthquakes and floods, because it does not consider such natural occurrences to be unjust. To the Government, some people will inevitably be poor and some rich, just as some will be the victims of civil wars, earthquakes and floods and some will not.

Poverty in DRC is largely the result of materialism and greed. Inequality, poverty, unemployment and the gap between the poor and the rich are increasing. Growth and development of the people's social and moral capacities require that their physical needs be met (Marshall 2000). Generally, the poor in DRC are not concerned exclusively with money and consumption. Meeting other goals, such as security, independence, dignity and self-respect could be just as important as having the money to buy basic goods and services (Woolard 2002). Nonetheless, in DRC, poverty is associated with:

- households where children are hungry and malnourished;
- households surviving on less than US$6 per month;
- households with an infant mortality rate of about 46 per 1,000 live births;
- households living in overcrowded conditions;
- households where parents and children are separated; and
- unemployment and people without safe and efficient sources of energy and water.

Poverty and unemployment are closely related, and the unemployment rate among Congolese is about 86 per cent — the result of very low participation in the formal economy (Loy 1997). A general impression of DRC is that, since its civil war (1996-2003), it has become one of the poorest countries in Central Africa. Life expectancy is 46 years, compared to 54 years in South Africa; per capita GDP is US$60 (2003 estimates); and only about half of the workforce is in subsistence agriculture. DRC has minimal infrastructure such as airports and highways (Mbendi Business 2003). In 1999 it was estimated that 29 per cent of the population was HIV positive (Free Dictionary 2004) further entrenching poverty. The HIV rate will have increased since 1999.
Effects of poverty on women and children

DRC's status as one of Central Africa's poorest states has several characteristics. Widespread poverty is obvious. The pressure of economic downturns has resulted in many family breakdowns in the wake of a mass exodus to cities in search of means of survival. The feminisation of poverty is a key characteristic; women in particular find it very difficult to find a job. To survive, they are forced to sell sexual favours, which leaves them very vulnerable to sexually transmitted disease, including HIV/AIDS (New Africa 2000). Poverty has obvious negative effects on the development of children and should be a major consideration of poverty research (Crothers 1997).

Measuring poverty

Poverty can be measured on the basis that it is either subjective (based on the respondents' perceptions) or objective (relating to some externally-set standards). The first step in measuring poverty is to establish the poverty line. To a large extent, poverty lines are arbitrarily established. However, it is less important which particular line should be selected and more important to reach a national consensus on the baseline poverty line (RDP Report 1994). Two main approaches were followed in this paper. The first defined an absolute poverty line, also known as an established level of consumption below which households are considered to have less than a minimum standard of living. This level was known to be consistent with a minimum level of food intake by households in terms of caloric consumption.

The second defined a relative poverty line in which households were ranked from poorest to richest and a more or less arbitrary cut-off point was selected to label those below the line as poor (INS 1998). Most studies using the first approach have often converged on an income level cut-off point of 36 per cent to 40 per cent of the population: that is, about 40 per cent of households on average are poor.

In our research into poverty, we ranked households according to both monetary and non-monetary incomes and controlled for the effect of household size using adult equivalence scales. We then defined those under the 40 per cent mark as poor and those under 20 per cent as ultra-poor (RDP Report 1994). Given that the Congolese live in different social strata, it became difficult to draw a poverty line across all of them. However, a more subjective measure grounded in the experience of respondents assisted our understanding and showed that the subjective experience of poverty varies across social groupings (Sigcau 1999).

The data

Data for this paper was collected between December 2005 and January 2006 with the assistance of a group of six final year students from the Institute Commercial Technique in Kinshasa. A survey covering some 1,658 households was conducted randomly via a simple questionnaire. Various types of questions were asked to heads of households, including a question on whether during the past years till now they had enough/not

Table 1: Poverty and child hunger rates

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<td>10</td>
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<td>Percentage who are poor</td>
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<td>35.4</td>
<td>37.4</td>
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<th>Lingwala</th>
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<th>Njili</th>
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<th>Ngiri-Ngiiri</th>
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<td>58.5</td>
<td>58.7</td>
<td>37.2</td>
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<td>43.4</td>
<td>48.4</td>
<td>64.3</td>
<td>48.2</td>
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*INS (Institut National des Statistiques).
enough income to feed and support the household. This was taken to be the most definite poverty indicator.

Data on living expenses and income is difficult to collect in DRC where households are not totally monetised. Household expenditure data is used in many studies because it is more reliable than income data, since the latter is often biased due to the reticence of respondents to divulge such information and because expenditure is a better measure of long-term living standards since it is not subject to transitory variations (RDP Report 1994; INS 1998). It is hoped that the survey data is of interest to policymakers as it gives some indication of the extent of poverty in nine provinces in DRC and where the focus of poverty reduction activities should be.

**Results**

Generally, the number of women surveyed in all communes was much greater than men. This can be attributed to the following two reasons: while some women work in offices, the majority stay at home caring for children and can hence be contacted easily; men, on the other hand, leave the home to work. This may be paid work, or simply going to look for what to bring home. In local terms, this is often known as 'co-op'.

Our research found that more than 40 per cent of households in DRC are poor, or about 45 per cent of adults and 55 per cent of children. This is somewhat higher than World Bank estimates which found in 2005 that 32 per cent of DRC's population of 57.5 million live below the poverty line. In DRC, as elsewhere in the developing world, households with a lower number of children have a lower poverty rate than households with more children — 33 per cent compared to 65 per cent, respectively.

**Conclusion**

The research outlined in this paper provides a picture of the degree of poverty in DRC by confirming some characteristics of poverty, namely the high degree of child hunger and the high incidence of poverty in rural settings. It confirms that the poverty rate is very high and, as such, an effective poverty eradication strategy is necessary. Such a strategy should come from within and be aimed at building capacity for self-reliance (Yilafa 1997). It should not be based on the notion that poverty is simply the fate of the majority of the population. What is required is leadership that is concerned with the ethical and moral dimensions of their decisions, and an uncompromising pursuit of an understanding of the true nature of poverty. It is hoped that it is through such a lens that approaches to poverty reduction in DRC are re-examined.

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Gender indicators online: A resource of the South Australian Government

Rhonda Sharp, Hawke Research Institute, University of South Australia, Ray Broomhill and John Spoehr, Australian Institute for Social Research, University of Adelaide

Governments have a patchy record on the development, storage and use of gender disaggregated data. Readily accessible and up-to-date gender disaggregated data is essential for the development of gender indicators to monitor progress on gender equality, facilitating gender analyses of programmes and policies and the implementation of gender mainstreaming. Despite the widespread use of internet web based technologies for accessing and disseminating information, and analysis by policy makers and governments of developed countries, relatively few have availed themselves of the opportunity to develop online gender disaggregated databases. This is particularly so at the state, provincial and local levels of government. In August 2006 the South Australian Minister for the Status of Women launched Gender Indicators Online (GIO), the first web based gender disaggregated database of its kind at the state level in Australia. Moreover the database is exceptionally user friendly and relatively cheap to set up and maintain. As such it provides a viable option for developed and many developing countries. This paper outlines the conceptual framework utilised for the development of GIO and the nature of the resource.

Background

GIO is a collaborative initiative of the Premier’s Council for Women, Office for Women, Department of Premier and Cabinet and the Australian Institute for Social Research at the University of Adelaide. The project arose out of a review of the Office for Women’s 2004 publication Statistical profile of women in South Australia undertaken by researchers at the Australian Institute for Social Research, University of Adelaide and the Hawke Research Institute for Sustainable Societies, University of South Australia. The resultant report, ‘Gender data online — the development of a gender disaggregated data management resource’ (Spoehr, Sharp, Broomhill, Martin and Medlin 2004) outlined a rationale, framework and series of indicators for the establishment of GIO.

Why develop gender indicators?

A range of arguments appear in the literature in support of the desirability and value of developing gender indicators. Gender indicators are widely recognised as important in informing the development and evaluation of policies and programmes designed to achieve greater gender equality. Policies that do not recognise the different and unequal position of women in society tend to perpetuate and exacerbate gender inequalities. Gender statistics and indicators therefore have an essential role in the elimination of gender blindness in the formulation of policies (Heiman, Perucci and Sundström 1996:41). Gender indicators enable an assessment of where we are now and where we are going 'with respect to values and goals, and to evaluate specific programs and their goals'. The usefulness of gender indicators lies in their ability to point to changes in the status and roles of women and men over time, and therefore to measure whether gender equality is being achieved’ (CIDA 1997:5). Making governments aware of, and publicly known for, a lack of gender equality in their countries has had the effect of making them 'more likely to carry out policies to reduce this inequality' (Dijkstra and Hannen 2000:62).

In their report to the Premier's Council for Women, Spoehr, Sharp, Broomhill, Martin and Medlin (2004) recommended the development of GIO to support and promote gender analysis within government and gender mainstreaming, including strategies such as gender responsive budgeting. In the South Australian case, gender indicators are central to the Premier's Council for Women being able to fulfill its role in monitoring changes in the status of women across the state. GIO was proposed as a tool to support policy makers to develop a whole of government approach to gender sensitive policy/programme development and evaluation. The state labor Government in its first term of office had introduced a strategic plan for the state which provided a path for South Australian economic and social development for the coming decade. Some 70 targets were developed to monitor the achievement of the six key goals. In this context GIO provided the means to support a gender-sensitive approach to informing the further development and review of a wide range of targets in South Australia’s Strategic Plan.

The conceptual framework

The closely interlinked concepts — gender-sensitive indicators, gender analysis and gender mainstreaming — formed the conceptual basis for the development of GIO. These relationships are illustrated in Figure 1.
Gender indicators

Gender-sensitive indicators demonstrate changes in gender relations in a given society over a period of time. They are a tool to assess the progress of a particular development intervention towards achieving gender equality. Gender indicators can be quantitative or qualitative benchmarks used for measuring or assessing the achievement of objectives or results. They can assume the form of numbers, facts, opinions, or perceptions that illustrate a specific condition or situation and provide a means of measuring changes in that situation or condition over time.

The international literature identifies a wide range of possible gender indicators. For example, the Irish Government's discussion document on gender indicators (Breitenbach and Galligan 2004) groups the options for developing gender equality indicators as:

- Gender disaggregated statistics across a range of policy areas. These may be compiled for separate areas of policy, or combined as a compendium. Such data provides a description of the position of women and men in relation to specific areas of policy, though it does not measure performance in itself. It can also be used to raise awareness of the extent of gender inequalities.
- Performance indicators which measure success in achieving specific goals and targets. Such indicators seek to measure the success of specific policy measures and should be an integral part of policy making. Gender disaggregated statistics are likely to inform the development of such performance measures.
- High level composite indicators. These indicators are formed by bringing together data from a range of areas into a single combined index, where such data is inter-related eg, data measuring time spent on paid and unpaid work. Such composite indicators can provide a simple clear measure that may be easily understood, and can serve as measures of national performance, similar to measures such as GDP.

While a range of indicators were recommended for CIO, the initial development has been a balance between a number of guiding principles and costs which are discussed below.

Gender analysis

The production of gender statistics requires more than all official data being sex disaggregated. It also requires that 'concepts and methods used in data collection and presentation adequately reflect gender issues in society' (Hedman, Perucci and Sundström 1996:42). Therefore a coherent and sophisticated gender analysis is required in order to develop and utilise gender indicators effectively.

The Canadian Women's Bureau (HRDC 1997:1) has identified the importance of applying a gender analysis to the development of gender indicators and vice-versa:

- Gender-based analysis is about collecting reliable gender-disaggregated information about the policy area under study, and understanding gender trends in the economy that might have an impact on a proposed policy, program or piece of legislation. It allows us to construct a better picture of the effects of a policy by looking at its potential impact on women and men. It is used to better inform decision-making at the outset to save time and money later.

Gender analysis is necessary to frame key policy question about women and men's roles and relations. The aim of such analysis is to formulate and develop interventions that are better targeted to meet both women's and men's needs and constraints.
**Gender mainstreaming**

The development of gender indicators is an essential and integral component of a strategy of gender mainstreaming. Gender mainstreaming aims to make gender equality a 'central part of all development interventions, including analyses, policy advice, advocacy, legislation, research and the planning, implementation, monitoring and evaluation of programs and projects' (FAO 2001:1).

Similarly, others have argued that gender mainstreaming has become the most important development in the conceptual framework within which gender equality policies are now being pursued:

Mainstreaming is a relatively new approach to policy making in which equal opportunities principles, strategies and practices are integrated into the everyday work of government and other public bodies from the outset, involving every day policy actors in addition to equality specialists. It is a long-term strategy to frame policies in terms of the realities of people's daily lives, and to change organisational cultures and structures accordingly. The ultimate goal of mainstreaming is to create a fairer society (Mackay and Bilton 2003:2).

**Gender Indicators Online**

The report's recommendation that GIO be developed was taken up by the South Australian Premier's Council for Women. The Council brokered a collaborative arrangement for the project involving the Office for Women and the Department of the Premier and Cabinet, with the Australian Institute for Social Research (AISR) under the leadership of John Spoehr being contracted to establish and maintain the website.

In developing the South Australian GIO website a number of requirements were sought by the Office for Women and the Department of Premier and Cabinet. These included:

- the need to recognise that the target audience of policy makers within government were often 'time poor', requiring the site to provide rapid access to current gender indicators including tables, figures and related spreadsheets. This material needed to be easily downloadable in Excel format for use in reports, briefings and cabinet submissions;
- the site had to be usable without the necessity for training; and
- the site had to be developed within a modest budget, prohibiting the purchase of commercially available web based database software that entails significant licensing costs.

A review of various web based delivery mechanisms was undertaken by AISR to identify an appropriate method of online delivery for GIO. Given the resources available and the need to ensure ease of use, the Institute developed an innovative hierarchical 'content management' system using the thematic indicator structure identified below. A simple select and click system with drop down menus was developed to provide access to indicators. This is a cost effective alternative to sites that utilise web accessible databases which enable real time calculation and manipulation of data. While such a system is attractive it can be cost prohibitive and it is normally more complex and time consuming to use.

The gender indicators framework for GIO includes nine broad indicators themes and a wide range of sub themes containing numerous indicators. The broad themes are:

- crime and justice;
- education and training;
- employment;
- informal networks and community engagement;
- health;
- income;
- leadership and decision making;
- population and demographics; and
- recreation and leisure.

Tables and graphs are provided for most indicators. An Excel spreadsheet containing indicator data is also provided for downloading. This is seen as important by policy makers who wish to make adjustments to the data. An additional feature is the dynamic Excel worksheets provided for selected indicators. These enable spatial and temporal comparisons to be easily made, automating changes to tables and figures as different geographical areas or time periods are chosen. They also serve to increase the number of gender indicators.

The GIO site has a number of other features including:

- an overview of the rationale for using gender disaggregated data and indicators;
- access to a database of gender related publications drawn from the South Australian Policy Online (www.sapo.edu.au);
- latest news on gender indicator data releases and reports; and
- links to a wide range of data available on other sites.

The indicator content of GIO will be significantly expanded over the next few years as additional resources become available to support this work. A wider range of indicators and dynamic Excel worksheets will be incorporated. A number of additional features will be added including a geographical information systems mapping tool. The GIO website can be accessed at: www.aisr.adelaide.edu.au/gio

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The search for empowerment: Social capital as idea and practice at the World Bank


The search for empowerment addresses the very interesting, but often overlooked, question of how ideas like social capital generate change within large organisations. Detailed case studies analysing the impact of theoretical constructs on policy and practice are not all that common because these sort of causal relationships are difficult to research. Much of the relevant information is not documented, existing only in the consciousness of 'insiders' who worked in the organisation at the time.

One of the strengths of this book is the fact that it combines insights from those who participated in closed door meetings and informal discussions with analysis from outsiders.

After setting the scene with a reprint of Woolcock and Narayan's earlier paper which looks at what is meant by the term 'social capital' and its relationship to economic development, attention turns to the question of why the idea of social capital gained traction within the World Bank. Hammer and Pritchett present their perspective on why World Bank economists became interested in the idea of social capital (disappointment with game theory), why this interest waned and the current state of play, while Woolcock argues that the rise of interest in social capital within the Bank was 'part of a wider set of changes driven by political and intellectual agendas' (93).

The second section of the book focuses on how the idea of social capital has been put into practice in World Bank operations. It does this through three case studies of World Bank projects (Kecamatan Development Project in Indonesia, the Indigenous and Afro-Ecuadorian Peoples Development Project in Ecuador and social investment funds in a range of developing countries). As well as analysing the extent to which the idea of social capital has influenced project design and implementation, these chapters, particularly the chapter on the Kecamatan Development Project written by Guggenheim, provide a valuable insight into how development policy and planning really works. Multiple influences are acknowledged, including those within the Bank, within recipient countries and within implementing agencies.

The third section of the book contains two further case studies in which academic outsiders assess World Bank operations through the conceptual lens of social capital. Fox and Gershman assess the extent to which World Bank rural development projects in Mexico and the Philippines contribute to an 'enabling environment'; that is, the institutional context that either facilitates or obstructs the collective action necessary for under-represented people to increase their leverage and voice (207). Lewis and Siddiqi then ask whether the model of social capital embedded in the Silk Project in Bangladesh can ever lead to genuine empowerment outcomes.

As noted earlier, the central question of The search for empowerment is a complex one. However the editors have done an outstanding job in combining diverse perspectives on a complex issue into a coherent whole. The introductory chapter clearly sets out the logic and structure of the book and the concluding chapter draws together the various insights from the individual chapters, relating each back to the central question. A further strength of the book is the non-partisan approach taken by the editors to the concept of social capital. In a field where much has been
attributed to the concept, it is refreshing to read arguments based on evidence presented in the book rather than partisan hopes. For example, in their conclusions the editors do not make the mistake of attributing too much causal power to social capital (269). The editors are very much aware of the complex, messy reality in which they work and it is this which makes the book such a valuable resource for those involved in teaching aspects of development studies.

Ann Nevile, Crawford School of Economics and Government, Australian National University

A Short History of the Future: Surviving the 2030 Spike


It comes as no surprise that this book — written by one of the Democrat Senators who spearheaded what was arguably Australia’s most successful environmental campaign (against Tasmania’s Franklin River dam), and the ABC’s first foreign correspondent — is hard-hitting and thoroughly researched. The book is unabashedly a prod for action to combat what Mason identifies as an apocalyptic future for the world come 2030 if present practises are not changed. He provides ample evidence to back this claim and suggests action for individuals and government on an array of big issues including climate change, dependence on non-renewal fuel, transnational epidemics, and links between population and poverty. Despite an at-times bamboozling amount of facts and figures, the book is easy to read and provides a useful overview of some of the challenging issues of the modern world. Its breadth of coverage though, does mean that some of the key issues are somewhat simplified.

The chapter on population and poverty, for example, opens with a castigation of US foreign policy in 2004 which identified economic growth as the panacea for hunger and poverty. Mason challenges this notion with a pertinent question: ‘...how is it possible for the sick and starving to start viable businesses ...?’ (2006:32), and asserts that half the world’s population (three billion people) ingest less daily protein than does an average pet cat in the West. He then aligns this argument with statistics on population growth in the developing world and escalating environmental constraints such as declining availability of water in some places, and criticises government aid programmes for prioritising large-scale projects over village-level programmes. He suggests aid implementers ask affected people what they need. None of this is news to development professionals (although in practise, the ‘participation’ of all stakeholders is not a given). But there’s the rub: Mason’s book doesn’t shed any new light on the central issues for addressing world poverty. It does, however, deliver a thought provoking, useful compendium of some of the most critical issues of our time and simple steps towards possible solutions.

Michele Legge, Development Studies Network

Relationships for aid


Relationships for aid investigates moves away from the idea that aid can be reduced to a series of technical steps to be administered, but rather involves a complex series of relationships among people, not least being the complex power relationship between donor and recipient. The book is less of an academic analysis of the issues in how relationships are framed in the aid ‘industry’ but more of a compendium of both theory and experience of what should work.

The book is presented in three parts. Part 1 looks at some organisation and systems theory, and presents a normative view of how organisations should work in managing the complex relationships they deal with. Part 2 looks at how organisational learning can occur and presents case studies of ‘immersion’, where aid bureaucrats are encouraged to get their hands dirty and directly experience development through village life and direct encounters with the people the aid is meant to be directed at. One of these case studies examines a process within Sweden’s official aid agency SIDA to have people work more effectively in teams; and finally, how relationships in development between donor and recipient and mediated through the eyes of the participants on the ground.

The Book concludes with Part 3 which suggests that a way forward maybe through the values that the aid programme itself is promooing. Here they look at the rights-based approach taken by DFID, and the accountability, learning and planning system of Action Aid. The authors argue that a rights-based approach in itself should result in more workable relationships and greater levels of participation by those to whom aid it targeted.

While the book is very useful in presenting the issues and some models which might work, its weakness is that it does not explain that these ideas in various forms have been circulating in aid debates for the last 30 years. Generally these models have not been taken up, but rather aid continues to be administered in a predominantly bureaucratic model, originally based on managing inputs, but more lately focused on outputs and results. In neither case is there much place for high level of participation or managing partnerships in an inclusive manner. The book would have been much stronger if a section had been included which explored in detail the fundamental political nature of aid both for the recipient and the donor and that this militates against strong
inclusive relationships in the administration and management of aid programs. Perhaps it is the exceptions that the book uses as its case studies which prove this rule.

Overall the book makes an interesting contribution to the debate on participation and relationships in aid but is it let down by some generalisations without sufficient examples in places, but more importantly a failure to set the context that participation and the development of strong partnerships in aid programmes are difficult given the fundamental political nature of aid and the differing agendas of donors and recipients, and that it may not be in either of their interests to have strong open relationships.

Patrick Kilby, Master of Applied Anthropology and Participatory Development Programme, Australian National University

Remittances, microfinance and development: Building the links, Vol. 1: A global view

Two key stakeholders are the focus of this set of articles — migrants and the agencies through which migrant workers remit financial resources. Both stakeholders are increasingly important in the world of contemporary development. Migrants are increasing in number and importance as part of regional and national labour markets. Economic migration is taking over from refugee movements as a means by which the dispossessed and the marginalized are reclaiming a share of the benefits of international growth and development. In many respects, contracted labour migration is legitimising the gains that illegal migration and people trafficking seeks to exploit. Financial transfers are the means by which these gains are harvested for the betterment of family and friends left behind. The question remains, however, does the combination of these two — migration and remittances — create a market opportunity that microfinance institutions need to fill?

International remittances by contacted migrant labour is estimated to total not less than $US100 billion annually; well in excess of overseas development assistance that has averaged around $US60 billion in recent years, but below the level of direct foreign investment into developing countries, that has averaged above $US150 billion per annum for almost a decade. Clearly remittances by migrant workers are not a marginal issue for the governments of receiving countries. If one adds the importance of ‘internal’ remittances by workers temporarily migrating away from their home villages for work, the issue of remittances becomes even more central to development finance and distribution issues. It would not be surprising, for example, to find that internal remittances in economies such as China or the transition economies, are several time the level of international remittances. Globally, estimates of total internal transfers vary between 50-250 per cent of international migrant labour transfers.

The editor declares that this volume is ‘intended as a resource for donors, policymakers and practitioners in designing policies and systems which maximize the potential of remittances for economic and social development’. This is a modest claim; the volume does much more. It throws light on a subject that is poorly documented or understood. It draws attention to the importance of remittances and the frustration that follows in communities where no financial institution exists to facilitate transfers. In so doing, it provides insights into the need for further research, plus opportunities for donors and practitioners to enhance the impact of remittances.

It is always possible to criticise, and there are shortcomings in this volume, especially in the failure of so many contributors to directly address the impact of remittances on poverty, but the reality is that this volume is a valuable addition to the microfinance literature and to the development literature in general. Well worth a read and close study.

Joe Remenyi, Development Professionals International

Making globalization work: The next steps to global justice

Nobel Prize-winning economist Joseph Stiglitz’s book Making globalization work: The next steps to global justice is not dissimilar to Jeffrey Sachs’s The end of poverty: Economic possibilities for our time in spirit and methodology, but takes an implicit rather than explicit approach to poverty reduction by shewing how globalisation (defined here as the ’closer economic integration of states through the increased flow of goods and services, capital and labour’) has been mismanaged in the past to the detriment of developing countries and by outlining a more just global order for the future. A central argument of his is that international governance is flawed because the voices of the poor are stifled by the voices of special interest groups. Interestingly, it is Stiglitz’s experience as a former chief economist at the World Bank, former Chairman of President Clinton’s Council of Economic Advisers and a Professor of finance and economics at Columbia University that led him to this conclusion.

Stiglitz casts the poverty debate in moral terms, arguing that the rich and powerful nations as well as international financial institutions have a moral obligation to ensure that global economic management does not inadvertently or advertently set the poor back through inadequate development assistance, protectionist trade barriers, destabilising global financial practices and poorly
designed rules for intellectual property that prevent the poor from benefiting.

His argument for debt forgiveness is based on the premise that much of the debt is the result of irresponsible lending, not irresponsible borrowing, and that the loans should have been grants, like the grants of the Marshall Plan. For Stiglitz, the question is not whether debts should be forgiven but whether the West should be held accountable for putting the poor in the crippling debt in the first place. Furthermore, a country's inability to service debt may not stem from irresponsibility (that is, lack of savings) on their part but from the instability of global economic and financial system.

Stiglitz does not believe that markets are efficient or promote equality and is optimistic about the role of government interventions. Like Sachs, he recognises the costs of not dealing with poverty (that is, unrest, disorder and potential violence) and reminds the conservatives that poverty reduction in the form of aid costs less than conservatives think. Stiglitz does not see the world as a zero-sum game whereby one state's gain is another's loss (for example, India's and China's growth versus the US's); it is a positive-sum opportunity in which improving technologies and skills can raise living standards around the world. While the logic of sharing technologies and ideas to benefit all is indisputable, the argument that the world is not zero-sum poses some problems for developed states, who would have to suffer some significant financial losses (for example, by reducing trade barriers) to reshape the international financial order. One can see how those states would perceive the global economy as zero-sum in this context. However, that does not detract from their moral obligation to engage in fairer trade. Also, a more equal playing field will benefit all as poorer countries will be given a chance to develop, which will in turn contribute to subsequent stability.

Stiglitz's moral arguments are not new, but it could be argued that such an approach to poverty reduction is more useful and convincing than those accounts whose preoccupation with incentives and growth fails to adequately consider the political and social complexities of poverty.

Danielle Sever
Recent Books

Advancing Development: Core Themes in Global Development
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Leading scholars and policy makers reflect on current thinking in development economics and on what may happen during the next two decades. Covering the major themes in development in an accessible way, this original and authoritative contribution highlights new and emerging issues and shows how research can improve our understanding of these important questions. As well as studying development economics in retrospect, the volume explores the current debates and challenges looking forward at the problems that affect global capacity to achieve the Millennium Development Goals.

Determinants of Pro-poor Growth: Analytical Issues and Findings from Country Cases
Michael Grimm, Stephan Klasen and Andy McKay 2006. ISBN: 1403987629, 304pp, £66, Palgrave Macmillan, Palgrave Order Department, Houndmills, Basingstoke Hampshire RG21 6XS, UK. Tel: +44 01256-302866; Fax: +44 01256-330688; Email: orders@palgrave.com

This volume analyses determinants of pro-poor growth in eight countries. It employs advanced methods and tools for pro-poor growth research, including ex-post analytical tools as well as ex-ante simulation methods, highlighting the strengths and limits of this methodological toolbox. The book places particular emphasis on the role of regional inequality, price and policy reforms as well as political economy issues affecting pro-poor growth at country level. It also analyses the impact of agricultural, labour market policies, macroeconomics and natural resource policies.

Delivering on the Promise of Pro-Poor Growth: Insights and Lessons from Country Experiences

This book contributes to the debate on how to accelerate poverty reduction by providing insights from eight countries that have been relatively successful in delivering pro-poor growth: Bangladesh, Brazil, Ghana, India, Indonesia, Tunisia, Uganda, and Vietnam. It integrates growth analytics with the microanalysis of household data to determine how country policies and conditions interact to reduce poverty and to spread the benefits of growth across different income groups. This title is a useful resource for policy makers, donor agencies, academics, think tanks, and government officials seeking a practical framework to improve country level diagnostics of growth-poverty linkages.

The Impact of Globalization on the World’s Poor: Transmission Mechanisms
Masahiko Nissanka and Erik Thorbecke (eds) 2007. ISBN: 0230004792, 384 pp. £65, Palgrave Macmillan, Palgrave Orders Department, Houndmills, Basingstoke, Hampshire RG21 6XS, UK. Tel: +44 01256-302866; Fax: +44 01256-330688; Email: orders@palgrave.com

While the economic opportunities offered by globalization can be large, a question often raised is whether the actual distribution of gains is fair, in particular, whether the poor benefit less than proportionately from globalization and could, under some circumstances, be hurt by it. This book examines the various channels and transmission mechanisms, such as greater openness to trade and foreign investment, economic growth, technology transfer and labour migration through which the process of globalization affects different dimensions of poverty in the developing world.

Understanding Human Wellbeing
Mark McGillivray and Matthew Clarke (eds) 2006, ISBN: 92-208-1130-4, 348 pp, US$37, United Nations University Press, 53-70, Jingu-gaien 5-chome, Shibuya-ku, Tokyo 150-8925, Japan, Tel: +81 3 3499 2811; Fax: 03 3406 7345; Email: sales@hq.unu.edu

This book examines advances in underlying well-being, poverty and inequality concepts and corresponding empirical applications and case studies. The authors examine traditional monetary concepts and measurements and non-monetary factors, including educational achievement, longevity, health and subjective well-being.

Linking the Formal and Informal Economy: Concepts and Policies
As the title suggests, this volume brings together a significant new collection of papers on the formal and informal economies of developing countries. The volume is multidisciplinary, with contributions from anthropologists, economists, sociologists, and political scientists. It contains contributions from among the very best analysts in development studies. The chapters argue for moving beyond the formal-informal dichotomy in favour of a more nuanced approach. The wealth of empirical information in these studies, and in the literature more widely, can be used to develop guiding principles for intervention that are based on ground level reality.

**Informal Labour Markets and Development**

Basudeb Guha-Khasnobis and Ravi Kanbur (eds) 2006, ISBN: 1403987556, 288pp, £55, Palgrave Macmillan, Palgrave Orders Department, Houndmills, Basingstoke Hampshire RG21 6XS, UK. Tel: +44 01256-302866; Fax: +44 01256-330688; Email: orders@palgrave.com

This book presents significant new research on the informal labour markets of developing countries. Examining the critical role of informal labour markets in allowing countries to adjust successfully to the forces of globalisation, this volume also brings to the fore a number of problems associated with the expansion of informal employment, such as poor working conditions, the lack of worker protection and the proliferation of urban slums. Comprising theoretical and empirical case studies from Africa, Asia, Central Europe and Latin America, it facilitates comparisons across developing countries from diverse geographical areas.

**The New Economy in Development: ICT Opportunities and Challenges**

Anthony D'Costa (ed.) 2006, ISBN: 0230001467, 264 pp, £50, Palgrave Macmillan, Palgrave Orders Department, Houndmills, Basingstoke Hampshire RG21 6XS, UK. Tel: +44 01256-302866; Fax: +44 01256-330688; Email: orders@palgrave.com

The New Economy in Development presents conceptual and empirical analyses of the opportunities offered by information and communications technologies (ICT). By focusing on the interrelationships between ICT, services, globalisation, international agreements and broader development goals, the volume offers a range of policy options for harnessing ICT for development. Contributors include scholars and policy makers from international organisations, and the chapters include case studies from Africa, Latin America, Eastern Europe and Asia.

**India's Undernourished Children: A Call for Reform and Action**


The prevalence of child under-nutrition in India is among the highest in the world, with dire consequences for morbidity, mortality, productivity and economic growth. Drawing on qualitative studies and quantitative evidence from large household surveys, this book explores the dimensions of child under-nutrition in India and examines the effectiveness of the Integrated Child Development Services programme, India's main early child development intervention, in addressing it.

**The Law-Growth Nexus: The Rule of Law and Economic Development**

Kenneth W Dam 2006, ISBN: 9780815717201, 320pp, US$36.95, Brookings Institution Press, 1775 Massachusetts Avenue, NW, Washington, DC, 20036-2188, USA. Phone: +1-800-537-5487/410-516-6956; Fax: 410-516-6998; Email: BIBooks@brookings.edu

In The Law-Growth Nexus, Dam explores the newly ascendant view that institutions, in particular, the rule of law, play a critical role in determining which economies thrive and which lag behind. Drawing on five decades as a legal scholar and policy maker, the author explains what policy makers need to know about the relationship between legal institutions and economic growth. He defines the essential concepts that make up the rule of law—property rights, contracts, and enforcement—and analyses the roles they play in the markets for land, equity, and debt.
Development Bulletin

Pamela Thomas (ed) ISSN: 1035-1132. Subscription covers four issues. Institutional rate A$220 (domestic and international); individual A$88/100 (domestic/ international); student $66/70 (domestic/ individual). Published by Development Studies Network, Research School of Social Sciences, Australian National University, Canberra ACT 0200, Australia. Tel: +61 (02) 6125 2466; Fax: +61 (02) 6125 9785; Email: devnetwork@anu.edu.au; Web: http://devnet.anu.edu.au

Each issue of Development Bulletin provides a number of concise papers on a significant and topical development issue written by respected professionals. Development Bulletin provides a variety of perspectives from different disciplines and development experiences as well as reports from the field, book reviews and recent publications and contact details of organisations and web resources.

Journal of Development Studies

Stuart Corbridge, Oliver Morrissey, Howard White (managing ed), Print ISSN 0022-0388; Online ISSN 1743-9140; 8 issues per year. Institutional: US$10 (print and online), US$770 (online only); Individual US$158 (print only); Developing country rate institutional: US$261; individual: US$56. Customer Services, T&F Informa UK Ltd, Sheeperen Place, Colchester, Essex, CO3 3LP UK. Phone: +44 020 7017 5544; Fax: +44 020 7017 5198; Email: tf.enquiries@tandf.com; Web: www.tandf.co.uk/journals

The Journal of Development Studies was the first and is one of the best known international journals in the area of development studies. The journal publishes articles from across academic disciplines, but priority is given to papers which are interdisciplinary; provide critical tests, based on empirical work, of alternative theories, perspectives or schools of thought; and are relevant to important issues in development economics, politics and policy. The editors also welcome critical surveys of the literature in important fields of development policy and practice. Each issue keeps the reader up-to-date with the latest research and also contains reviews of recently published books on development.

Journal of Economic Geography and Development

Diego Puga, Neil Wrigley (eds), Print ISSN: 1468-2702; Online ISSN 1468-2710. Institution: £304 (print and online), £289 (online only); Individual £55. Customer Service Department, Oxford University Press, Great Clarendon Street, Oxford OX2 6DP, UK. Phone: +44 01865 353907; Fax: +44 01865 353485; Web: http://jeg.oxfordjournals.org

The aims of the Journal of Economic Geography are to redefine and reinvigorate the intersection between economics and geography, and to provide a world-class journal in the field. It publishes original academic research and discussion of the highest scholarly standard in the field of economic geography broadly defined. Submitted papers are refereed, and are evaluated on the basis of their creativity, quality of scholarship, and contribution to advancing understanding of the geographic nature of economic systems and global economic change.
In Focus

Dag Enrenprels (ed.), free (online). International Poverty Centre, SBS-Ed. BNDES, 10 andar 70076-900, Brasilia DF, Brazil. Email: povertycentre@undppovertycentre.org; Web: www.undppovertycentre.org

In Focus is an online bulletin of the International Poverty Centre. Its purpose is to present succinctly the results of recent research on poverty and inequality in the developing world. Its December 2006 issue, titled ‘What is poverty?’, features an introduction by Robert Chambers.

World Development


Elsevier, Customer Service Department, 3 Killiney Road #08-01, Winsland House I, Singapore 239519. Phone: +65 6349 0222; Fax: +65 6733 1510; Email: asiainfo@elsevier.com; Web: http://www.elsevier.com/

World Development is a multi-disciplinary monthly journal of development studies. It seeks to explore ways of improving standards of living, and the human condition generally, by examining potential solutions to problems such as: poverty, unemployment, malnutrition, disease, lack of shelter, environmental degradation, inadequate scientific and technological resources, trade and payments imbalances, international debt, gender and ethnic discrimination, militarism and civil conflict, and lack of popular participation in economic and political life.

The World Economy

David Greenaway (ed.), Print ISSN: 0378-5920; Online ISSN: 1467-9701; monthly. Institution: £1,286 (rest of world print and online), £1,111 (online only); Individual: £71. Blackwell Publishing, Journal Customer Services, Blackwell Publishing Services Pte Ltd, 600 North Bridge Road, # 05-01 Parkview Square, Singapore 188778. Phone: +65 6511 8000; Fax: +44 01865 471775; Email: customerservice@blackwellpublishing.com; Web: http://www.blackwellpublishing.com/

The World Economy is a resource for researchers, analysts and policy advisors interested in trade policy and other open economy issues embracing international trade and the environment, international finance, and trade and development. The journal also considers related areas such as economies in transition and development economics. While The World Economy concentrates on trade policy issues — on a country basis, regionally and globally — it also covers broader issues such as exchange rates, IMF/World Bank, debt, environmental and other international issues as they relate to trade.
At Home and Away. Expanding Job Opportunities for Pacific Islanders through Labour Mobility


The main purpose of this major new report is to examine the economic arguments — analytically and empirically — in favour of greater labour mobility, by addressing three fundamental questions: the extent of demographic pressures, such as fertility, population growth and mortality facing the Pacific; the development impact of remittances on households and communities; and whether it is possible to design practical labour mobility programmes that balance the benefits of migration with concerns of sending and receiving countries.


This report is a product of a joint Japanese-UNDP collaboration on small-scale and community-based infrastructure. The report was launched at a ceremony with a keynote speech by Amartya Sen.

Forest Sector Studies, Papua New Guinea


This research was undertaken by a team of ODI researchers, together with staff from the PNG University of Technology, with the intent of informing, and supporting, a national dialogue on forest development. Three research papers were written, exploring the theme of how forestry can provide a sustainable and viable source of income and livelihood for all participants — landowners, loggers, traders and government. The studies were commissioned by the PNG Government and funded through the European Commission.

Poverty in Time: Exploring Poverty Dynamics from Life History Interviews in Bangladesh


This paper draws from life history interviews to investigate poverty dynamics in Bangladesh and considers life histories as a supplement to more quantitative approaches in poverty research. Qualitative life history methods allow the examination of the temporal and spatial context of people’s lives in a way that uncovers a number of social phenomena concealed to other methods. These are discussed using life histories to demonstrate the types of social phenomena that can be uncovered.

A number of categories of life trajectory are also identified and the use of a categorical approach as a way of using longitudinal qualitative findings to inform social policy is discussed. The lessons learned have relevance for using life histories to examine poverty dynamics more generally and also draw attention to the potential for using life history approaches to cross the qual/quant divide in poverty research.

At Loggerheads? Agricultural Expansion, Poverty Reduction, and Environment in the Tropical Forests

Kenneth M Chomitz, Piet Bury, Giacomo De Luca, Timothy S Thomas, and Sheila Wertz-Kanounnikoff 2006, ISBN: 0821367358, 304pp, World Bank Publications, PO Box 960, Herndon, VA 20172-0960, USA. Phone: +1-800-645-7247/703-661-1580; Fax: +1 703-661-1501; Email books@worldbank.org

Preserving the world’s rapidly shrinking tropical forests and improving the economic prospects of millions of poor people requires an urgent strengthening of national forest governance. This World Bank report brings to the surface problems that impede adoption of favourable policies in this area, describing institutional and technological innovations that might help overcome these impediments. The report offers a simple framework for policy analysis by identifying three forest types — frontiers and disputed lands, lands beyond the agricultural frontier, and mosaic lands where forests and agriculture coexist. It collates geographic and economic information for each type that will help formulate poverty-reducing forest policy.
Organisations

Overseas Development Institute (ODI)

111 Westminster Bridge Road, London SE1 7JD, UK. Phone: +44 020 7922 0300; Fax: +44 020 7922 0399; Web: http://www.odi.org.uk/index.html

ODI is Britain's leading independent think tank on international development and humanitarian issues. Its mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries. It does this by locking together high-quality applied research, practical policy advice, and policy-focused dissemination and debate. It works with partners in the public and private sectors, in both developing and developed countries. ODI's work centres on its research and policy groups and programmes.

The SMERU Research Institute

Jl. Pandeglang No. 30, Jakarta 10310 Indonesia. Phone: +62 21 3193 6336; Fax: +62 21 3193 0850; Email: smeru@smeru.or.id; http://www.smeru.or.id/

SMERU is an independent institution for research and public policy studies which professionally and proactively provides accurate and timely information, as well as objective analysis on various socio-economic and poverty issues considered most urgent and relevant for the people of Indonesia. The institute has been at the forefront of the research effort to highlight the impact of Government programmes and policies, and has actively published and reported research findings. The work includes areas of applied and economic research that are of fundamental importance to contemporary development issues.

Foundation for Development Cooperation (FDC)

PO Box 10445 Adelaide Street, Brisbane QLD 4000, Australia. Phone: +61 7 3831 8722; Fax: +61 7 3831 8755 ; Email: info@fdc.org.au; Web: http://www.fdc.org.au/

The FDC is an international development think tank. Its long term aims are to: mobilise support for development cooperation; ensure sustainable development policies and practices in the Asia-Pacific region; promote individual, community and private sector initiatives; and reduce poverty and disadvantage.

International Poverty Centre (IPC)

SBS-Ed. BNDES, 10° andar, 70.076-900- Brasilia-DF, Brazil. Phone: +55 61 2105 5000 ; Fax: +55 61 2105 5001 ; Email: povertycentre@undp-povertycentre.org; Web: http://www.undp.org/povertycentre/prpoor.htm

Part of the UNDP, the IPC aims to enhance country capacities in designing and implementing effective policy frameworks that support pro-poor growth by encouraging the generation and dissemination of knowledge on the impacts of different policy interventions on poverty and inequality. It also works to share country experiences where national capacities (institutional, research, political, etc.) have been developed to analyse the linkages and policy options for ensuring a scenario of sustained growth with increased equity and declining poverty.

The United Nations University/World Institute for Development Economics Research (UNU/WIDER)

Katajanohtaliu 6 B FIN-00160, Helsinki, Finland. Phone: +358-9-6159911; Fax: +358-9-61599333; Email: wider@wider.unu.edu; Web: http://www.wider.unu.edu/

UNU/WIDER aims to undertake research and analysis on poverty, provide a forum for professional interaction and policy advocacy and promote capacity building for scholars and government officials.

The Third World Network

131, Jalan Macalister, 10400, Penang, Malaysia. Phone: 60-4-2266728 / 2266159; Fax: 60-4-22664505; Email: twntwtpo@pajaring.my; Web: http://www.twnside.org.sg/

The Third World Network is an independent non-profit international network of organisations and individuals involved in issues relating to development, the Third World and North-South issues. Its objectives are to conduct research on economic, social and environmental issues pertaining to the South; to publish books and magazines; to organise and participate in seminars; and to provide a platform representing broadly Southern interests and perspectives at international fora such as the UN conferences and processes.

Brooks World Poverty Institute

The University of Manchester, Humanities Bridgeford Street Building, Oxford Road, Manchester, M13 9PL, UK. Email: buwi@manchester.ac.uk; Web: www.humanities.manchester.ac.uk/buwi/

A multidisciplinary centre of global excellence researching poverty, poverty reduction, inequality and growth, based at the University of Manchester, and chaired by Nobel Laureate Professor Joseph Stiglitz.
permanent financial services for the poor on a large scale. CGAP’s unique membership structure and network of worldwide partners make it a potent convening platform to generate global consensus on standards and norms. As such, CGAP is a resource centre for the microfinance industry, where it incubates and supports new ideas, innovative products, cutting-edge technology, novel mechanisms for delivering financial services, and concrete solutions to the challenges of expanding microfinance.

**Chronic Poverty Research Centre (CPRC)**

Institute for Development Policy and Management, School of Environment and Development, University of Manchester, Harold Hankins Building, Booth Street West Manchester, M13 9QH, UK. Phone: +44 0161 275 2810; Fax: +44 0161 273 8829; Web: http://www.chronicpoverty.org/index.html

CPRC is an international partnership of universities, research institutes and NGOs established in 2000 with initial funding from the UK’s Department for International Development. CPRC expects its research and analysis to result in policy relevant findings which will be useful to all those working to combat poverty. This will include people in community level organisations, government and official agencies, NGOs, political parties, other researchers, the media, trade unions and the private sector. The knowledge base is being shared directly with poor migrants, contributing both directly and indirectly to the elimination of poverty.

**Development Research Centre on Migration, Globalisation and Poverty (DRC)**

Arts C, University of Sussex, Brighton BN1 9SJ, UK. Phone: +44 1273 877 568; Fax: +44 1273 673 563; Email: migration@sussex.ac.uk; Web: http://www.migrationdrc.org/index.html

DRC aims to promote new policy approaches that will help to maximise the potential benefits of migration for poor people, while minimising its risks and costs. It undertakes a programme of research, capacity building, training and promotion of dialogue to provide the strong evidential and conceptual base needed for such new policy approaches. This knowledge base is also being shared directly with poor migrants, contributing both directly and indirectly to the elimination of poverty.

**Comparative Research Programme on Poverty (CROP)**

CROP Secretariat, Nygbroksgaten 5, N-5020 Bergen, Norway. Phone: +47 55 58 57 44; Fax: +47 55 58 97 43; Email: crop@uib.no; Web: http://www.crop.org

CROP is organised around an extensive international and multi-disciplinary research network, which is open to all...
poverty researchers and others interested in a scientific approach to poverty.

International Institute for Sustainable Development (IISD)

161 Portage Avenue East, 6th Floor, Winnipeg, Manitoba, Canada R3B 0Y4. 
Phone: +1 204 958 7700; Fax: +1 204 958-7710; Email: info@iisd.ca; Web: http://www.iisd.org

IISD champions sustainable development around the world through innovation, partnerships, research and communications.
Web Resources

Attacking Poverty Program (APP), World Bank Institute

APP aims to build the capacity of poor countries to design and implement effective poverty reduction strategies. Customised country learning programmes are used to leverage the resources of the development community to fight against poverty.

Australian Development Gateway (ADG)

ADG is a knowledge sharing website, supporting people working in Asia-Pacific countries to reduce poverty and promote sustainability.

Asian Development Bank, Poverty Reduction
http://www.adb.org/poverty/

The site is the ADB's portal for poverty reduction policies, strategies, and activities.

Association for Women's Rights in Development (AWID)
http://www.awid.org/wrec/

AWID is an international membership organisation connecting, informing and mobilising people and organisations committed to achieving gender equality.

Development Gateway, Poverty
http://topics.developmentgateway.org/poverty

Development Gateway topic pages are e-communities led by experts in the development field. They connect partners, members, organisations and other stakeholders by providing opportunities to exchange knowledge, know-how and opinions.

DFID, Eliminating World Poverty

The UK's Department for International Development has uploaded a simplified overview of what that government is doing to fight world poverty. Teachers and concerned citizens appear to be the target audience.

Eldis Poverty Resource Guide
http://www.eldis.org/poverty/

Eldis is one of a family of knowledge services at the Institute of Development Studies in the UK. On the site, you can subscribe to a regular e-bulletin that highlights recent publications and announcements on poverty issues. The documents are available without charge on the web. If you are unable to access any of these materials online and would like to receive a copy of a document as an email attachment, you can contact the site editor or, if internet access is poor, request a CD-ROM of documents.

United Nations Development Programme, Poverty Reduction
http://www.undp.org/poverty/

This is the hub for the UNDP's poverty reduction initiatives. See also the UNDP's International Poverty Centre at http://www.undp-povertycentre.org/.

Poverty Mapping
http://www.povertymap.net/

Web-based network of individuals and institutions mapping food insecurity, poverty and vulnerability, intending to provide easily understandable information material and tools for improving the targeting of research and aid projects to combat food insecurity and poverty.

PovertyNet
http://web.worldbank.org/

PovertyNet, part of the World Bank group, provides an introduction to key issues as well as in-depth information on poverty measurement, monitoring, analysis, and on poverty reduction strategies for researchers and practitioners.
Author Guidelines

Manuscripts and Copyright
Manuscripts are normally accepted on the understanding that they are unpublished and not on offer to another publication. Once published by the Development Studies Network (the Network), however, manuscripts, articles and reports may subsequently be published elsewhere. Acknowledgement of the Network as the source would be appreciated. No acknowledgement is needed for conference reports, other notices or lists of publications.

The Network cannot assume responsibility for any loss of or damage to manuscripts. Contributors are therefore encouraged to retain a complete copy of their work.

Word length
Submitted papers are to be short and concise, with a minimum of 1000–1500 words and a maximum of 2,500–3,000 words. The word limit includes subheadings and footnotes and excludes references. Conference reports: 800–1000 words.

Presentation and Style
Manuscripts should be double spaced with at least 2.5cm (1") margins. Subheadings, footnotes and references need to be clearly indicated in the text. Quotation marks should be single, double within single. Spelling is English (OED with -ise endings).

Documents can be sent as email attachments, on disk or in hard copy. Documents sent electronically should be saved as Microsoft Word files, or in .rtf format. Email attachments are preferred in Word or .rtf format. A virus check is requested prior to any material being electronically sent. No .pdf files please as these cannot be edited or corrected prior to printing.

Referencing
A minimum of references and/or footnotes is requested due to space constraints. All references referred to or cited in the text are to be included in the reference list. Book titles and journal names should be italicised or underlined; titles of journal articles and book chapters are in single inverted commas.

The Harvard style of referencing is preferred: author’s surname, forename and/or initials, date of publication, title of publication, publisher and place of publication. Journal references should include volume and issue number, date and page numbers.

Detailed guidelines on the Harvard style of referencing are available online at: http://www.uwe.ac.uk/library/resources/general/info_study_skills/harvard2.htm#book

Examples: