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PANEL REPORT: INNOVATIVE APPROACHES TO POVERTY
ALLEVIATION IN ASIA

CHAIRPERSON

Ganesh Thapa (International Fund for Agricultural Development)

PANEL DISCUSSANTS

Rural Enterprise Development and Poverty Alleviation in China *Jikun Huang (Centre for Chinese Agricultural Policy, Beijing, China) (with Scott Rozelle, University of California, USA)*

Are Rural Public Works Effective in Alleviating Rural Poverty in the Long Run? Evidence from India *Katsushi Imai (University of Oxford, UK)*

Land Tenure, Land Reform and Rural Poverty in Asia *Keiji Otsuka (Tokyo Metropolitan University, Japan)*

Poverty Alleviation through Microfinance in Bangladesh: Success Stories and Emerging Concerns *Rushidan Rahman (Bangladesh Institute for Development Studies, Bangladesh)*

RAPPORTEUR

Katsushi Imai (University of Oxford, UK)

Ganesh Thapa explained the background of the panel session. IFAD has undertaken a study entitled 'Regional Poverty Assessment for Asia and the Pacific 2000', which attempts to identify major issues in rural poverty. Each of the panel members helped with the work and this meeting provides an opportunity to discuss some of the key issues in poverty alleviation.

Jikun Huang, in considering rural industries in China, noted that average farm size declined in the period 1980–95 (from 0.56 hectares per farm to 0.41 hectares), though real per capita income was still increasing following a sharp improvement in labour productivity. Nevertheless, rural–urban migration had also risen while the *share* of income and employment earned in the agricultural sector declined. The importance of the non-agricultural sector also became greater with the share of township and village enterprises (TVEs)

in the economy (GDP) increasing dramatically (10 per cent in 1985 to 27 per cent in 1998). The employment share of TVEs was also larger. Given all of these changes, poverty in rural areas decreased dramatically (absolute poverty was affecting 260 million persons in 1978, the number falling to 42 million in 1998). Strengthening the non-urban economy, as a whole, through rural enterprise development will be important as a means of reducing poverty still further.

While rural enterprise growth has been concentrated in the eastern coastal region, both rich and poor areas have greatly benefited from the rural industrialization in the rich coastal region through labour migration. Releasing the constraints on movement is therefore important in fostering change of this type, though there are also prospects for spreading the scope for TVEs to more regions, particularly if linkages between poor areas and the rest of China can be strengthened. For that to happen, and for it to be effective, improvements in rural infrastructure, human capital development and aid to entrepreneurship are of great importance.

Katsushi Imai also spoke about non-farm development in rural areas, though in that case in the context of India's rural public works and the Employment Guarantee Scheme (EGS). The main objectives have been to stabilize income fluctuations and to help correct regional wage disparities. Both the aims have been partially met and there have also been indirect transfer benefits in the form of upward pressure on agricultural wages. Unfortunately the targeting performance of the EGS was not good. It also had few dynamic effects. The *protective effect*, preventing the vulnerable from slipping into poverty, is more marked than the *promotional effect*, enabling the poor to escape persistent poverty. The latter is unlikely without larger outlay on the schemes and in the absence of other measures in agriculture (land reforms) and in health and education services.

Keijiro Otsuka, reverting to a more directly agricultural theme, attempted to clarify important issues in the debate on land tenure, land reform and rural poverty in Asia. Common features of land reform include tenancy changes (regulation of leasehold rent, prevention of arbitrary eviction of tenants and possibly the encouragement of share tenancy, even though this is often regarded as undesirable) and redistribution (transfer of land to actual tenant cultivators). The justifications for land reform are that tenants belong to the poorest segment of rural society, that smaller operators are more efficient than larger ones and that, on balance, leasehold tenancy and owner cultivation scores over share tenancy.

These presumptions, however, are empirically incorrect. In fact, the poorest of the rural poor are landless labourers, not tenants. Share tenancy is generally not very inefficient compared with leasehold tenancy and owner cultivation, unless tenancy contracts are distorted by land reform laws themselves. Furthermore, land reform tends to block the agricultural ladder for landless labourers to ascend by prohibiting or suppressing tenancy transactions, thereby perpetuating rural poverty. One key aim, therefore, should be to provide opportunities for landless labourers and marginal farmers to manage farms, even if that involves share tenancy. In addition, to promote 'market-assisted land reform',

removal of all policies which favour large farmers would promote transfer of land to the landless and near landless.

Rushidan Islam Rahman observed that a positive effect of microcredit on income has been reported by a number of past studies in Bangladesh. Schemes are regarded as 'success stories'. The emerging concerns, though, are that household expenditure is almost the same irrespective of the duration of membership of the Bangladesh Rural Advancement Committee (BRAC) scheme. Assessment of targeting performance also shows that 48 per cent of the total participants were households above the poverty line and that the extreme poor were underrepresented among BRAC members. There is some merit in current target selection since the financial sustainability of microcredit institutions (MCIs) is a major concern for aid donors. Clearly, there is a need to maintain the good repayment practice already achieved by most of the non-governmental organisations (NGOs) involved.

The great challenge is to find ways of enabling more of the poorest households to become members of microfinance institutions. Often they need larger loans, at lower interest rates, than MCIs are prepared to offer. The dilemma is obvious. As long as aggregate repayment performance is satisfactory and most borrowers are paying realistic interest rates, there appears to be a need for some low cost funds to be channelled to specially selected groups. MCIs should, in effect, have a commitment to improve targeting and translate that commitment into action at the field level.