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**IMPACT OF DEVELOPMENT POLICY ON
POVERTY REDUCTION IN ASEAN:
A COMPARATIVE STUDY**

Ragayah Haji Mat Zin
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Institut Kajian Malaysia dan Antarabangsa (IKMAS)
Universiti Kebangsaan Malaysia
Bangi

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1. Introduction

On 7 October 2003, at the Nineth ASEAN Summit in Bali, the ASEAN leaders had agreed to establish an ASEAN Community. The establishment of this Community would be supported by the three pillars of “political and security cooperation”, “economic cooperation” and “socio-cultural cooperation”. The ASEAN Vision of 2020 (Hanoi Plan of Action) specifically highlights a vision of free flow of goods, services, and investments, along with reduced poverty and socio-economic disparities in the region (Asra, Estrada and Pernia 2005). Poverty and disparity reductions are relevant under all the three pillars. Under the ASEAN Security Community (ASC), massive and extreme poverty can lead to extremism, apathy and disenchantment while rising inequality can result in the breakdown of social cohesion. This situation is thus not conducive for setting up the ASEAN Economic Community (AEC), which aims to enhance ASEAN competitiveness, improve ASEAN's investment environment and narrow the development gap amongst ASEAN members. The latter includes reducing poverty and inequality. Under the ASEAN Socio-cultural Community (ASCC), it is envisioned that ASEAN will be bonded together as a community of caring societies. One of its four strategic thrusts is to have strong and functional systems of social protection that address poverty and equity of economic growth. Poverty reduction also takes centre stage with the setting up of ASEAN Plus Three as well as in the effort to attain the Millennium Development Goals (MDGs).

Due the slow and be-laboured progress in WTO negotiations, many countries are now pursuing either regional integration or bilateral free trade agreements to spur trade and growth. In the case of the establishment of the ASEAN Community, the vision of the leaders went a step further, where they see the establishment of this regional integration as also helping to provide impetus to eradicate poverty and narrow inequality. The way forward to realise these objectives is through the stimulation of economic growth via increase in the volume and value of trade that would provide employment and rising incomes to the millions of people under poverty in the region. While this official vision of what the ASEAN Community should be in 15 years time should be supported and, where possible, be implemented, the paths to the actual achievement of the objective are fraught with obstacles and impracticalities. The present Seminar probably represents one of the efforts to share each of these countries' ideas, knowledge and experience in poverty eradication efforts so that we can learn from each other the best and most effective strategies and avoid those that entail difficulties and failures. However, we must remember that there is no such thing as "one size fits all" so we have to evaluate which programmes are the most suitable for our respective needs.

Given the fact that each of the countries in ASEAN has its own poverty reduction targets as well as the importance in achieving the MDGs, this paper attempts to examine the following questions:

- What is the current macroeconomic, poverty and inequality status of these ASEAN countries and in China?
- What are the poverty reduction strategies being undertaken in these countries?
- What are the best practices and lessons to be learnt and shared?

In order to answer these questions, the paper is organised as follows. The next section will provide some of the macroeconomic indicators of the ASEAN nations, illustrating the non-homogeneity of the region. The status of absolute and relative poverty, that is, income inequality, within each of these nations will also be described in this section. Section 3 summarises some of the major policies and strategies for poverty reduction pursued in the various countries. Section 4 concludes by highlighting the best practices that each country may learn from one another. However, it should be noted that the list is not comprehensive.

2. Current Macroeconomic, Poverty and Inequality Status of ASEAN Countries

In order to determine whether economic integration is a possible answer for the reduction of poverty incidence and inequality reduction among the ASEAN nations, a brief examination of their current status is deemed necessary as this will indicate the possibilities of attaining these objectives of establishing the ASEAN Community.

2.1 Macroeconomic Background of the ASEAN Countries

The countries within ASEAN have wide variations in initial economic conditions. **Table 1** shows the real gross domestic product (GDP) per capita growth rates and levels of the ASEAN countries in the last three and a half decades. Despite its wealth Brunei Darussalam experienced negative real growth in the 1980s and 1990s, and Myanmar experienced the same in the 1980s. On the other hand, the economies of Singapore, Thailand and Malaysia consistently registered high growth rates except for mid-1980s, 1997-1998 and 2001. The differential in the growth rates and population growth resulted for example, in the per capita income of Singapore being more than 85 times that of Cambodia in 2001. However, the disparity between the two countries is reduced to almost 16 times in terms of the 1999 purchasing power parity (PPP).

Table 2 shows some selected macroeconomic indicators of these countries for 2004, the only recent year where data are available for all 10 countries at the time of writing this paper. In terms of physical size, it varies from Singapore with a mere 0.7 thousand square kilometres to Indonesia with 1904.6 thousand square kilometres, a differential of more than 2,720 times! Apart from the differential GDP growth rates and the per capita GDP, there is also a great disparity in population (and their growth rates) ranging from just over 4 million in Singapore to almost a quarter billion in Indonesia. The GDP per capita for Myanmar had fallen in the last few years, and it has the lowest per capita GDP in ASEAN.

Table 1
ASEAN: Real GDP Per Capita Growth Rates and Levels, 1970s - 2001

Country	Real GDP Per Capita Growth (per cent Annual Average)					GDP Per Capita in US\$ at 1995 Prices (2001)	GDP Per Capita at 1999 PPP (2001)
	1970s	1980s	1990s	2000	2001		
Brunei Darussalam	4.4	-5.2	-0.7	2.5	1.2	18,895	17,963
Cambodia	-	4.4	1.7	5.3	4.2	317	1,362
Indonesia	5.3	5.8	3.3	3.5	2.0	1,034	3,598
Lao PDR	0.7	3.3	3.8	3.4	3.3	465	2,118
Malaysia	5.2	6.2	4.6	5.6	-1.9	4,708	8,709
Myanmar	2.0	-5.5	4.3	12.4	8.4	-	-
Philippines	2.9	4.0	0.5	1.6	1.2	1,165	4,401
Singapore	7.7	7.6	4.6	8.4	-4.7	27,118	21,441
Thailand	4.6	10.8	4.2	3.8	1.0	2,853	6,410
Vietnam	2.2	3.0	5.5	5.4	5.5	390	2,099

Notes:

1. Average GDP per capita growth in the 1970s for Brunei Darussalam refers only to the years 1974-79.
2. The 1980s figure for Cambodia covers only 1987-89.

Source: Asra, Estrada and Pernia (2003).

Another aspect of opposites among the ASEAN countries is their labour market situation. Table 2 also reflects that the small population, relatively high per capita income and fast growing countries of Singapore, Brunei Darussalam and Malaysia plus

that of Thailand have very low unemployment rates. On the other hand, large, heavily populated countries that are relatively slow growing, including Philippines, Indonesia and Vietnam, have high unemployment rates. This situation naturally would create pull and push factors of labour migration among these countries. However, the fact that only professional and skilled labour are allowed the freedom of movement within the ASEAN Community will have serious implications on income inequalities within and among these countries, as this paper will argue below.

It is expected that the ASEAN Community will bring about these results through the strengthening of intra-regional trade in goods and investments. The expansion in investments and trade is expected to spur growth that may help the less-developed nations of ASEAN to catch up with the more advance economies in the region (Asra et. al 2005: 220), citing the example of European Economic Community as illustrating the case for the tendency towards income convergence among economies integrated through international trade.

Table 2
Selected Macroeconomic Indicators of ASEAN Countries, 2004

Country	Size (*000 Sq. KM)	Popu- lation ²	GDP US\$ m (Current)	Real GDP Growth (%)	GDP Per Capita (USD)	Unemp. Rate (%)
Brunei Darussalam	5.8	0.37 (2.2)	n.a.	1.1	15,612	4.8
Indonesia	1904.6	217.6 (1.3)	257641	5.1	1,165	8.7
Malaysia	329.7	24.9 (1.9)	118318	7.1	4,625	3.5
Philippines	300.0	81.6 (1.8)	84567	6.0	1,014	11.8
Singapore	0.7	4.2 (1.3)	106818	8.4	24,740	4.0
Thailand	513.1	63.7 (0.9)	161688	6.1	2,521	2.1

Cambodia	181	13.8 (2.0)	4791 ⁵	5.5	350 ³	2.5 ⁴
Vietnam	331.7	82.2 (1.0)	45210	7.7	535	5.6
Myanmar	676.6	50.0 (1.1)	8042 ⁵	5.0	167	5 ⁶
Lao, PDR	236.8	5.8 (2.3)	2452	6.0	416	5.7 ⁷

Note: ¹ Fig for 2003 ² Figures in brackets refer to per centage increase ³ GNI per capita
⁴ 2000 estimate ⁵ 2005 est. at official exchange rate ⁶ 2005 estimate ⁷ 1997 estimate
 Source: Ragayah 2008.

2.2 Absolute and Relative Poverty Situation in the ASEAN Countries

The World Bank (1993) had characterised some of the ASEAN countries as high performing economies (HPEs) as these countries had registered relatively high growth. These high growth rates had provided jobs for many and have managed to cause poverty incidence to tumble down in the high growth countries of Indonesia, Malaysia, Thailand and Vietnam, as shown in **Table 3**. Although contracting (by a much slower rate than those of its neighbours), poverty incidence continues to remain high in the Philippines. A similar situation is also happening in Cambodia and Laos, PDR. Poverty incidence went up as a consequence of the 1997/1998 financial crisis in those countries that were affected, namely Indonesia, Malaysia, Philippines and Thailand. Except for Malaysia, the situations in the other countries were worsened by the effect of the El Nina. There are no poverty incidence figures published for Brunei and Singapore, presumably because the incidence of absolute poverty is insignificant in both countries. Myanmar also does not provide official poverty incidence figure, but it was estimated¹ that 25 per cent of the population was under the poverty line income in 2000. Overall, what is worrying is the fact that poverty rates are rising in some countries, notably the poorer, less developed and weaker countries even before the attainment of full economic integration in ASEAN.

Table 3
ASEAN Poverty Incidence (%), 1990s – 2007

Country	Early 1990s	1996/7	1998/9	Latest Available
Cambodia	39.0 (1994)	36.1 (1997)	35.9 (1999)	28.0 (2004)
Indonesia	15.8 (1990)	17.7 (1996)	24.2 (1998)	16.6 (2007)
Lao PDR	45.0 (1992)	38.6 (1997)	-	32.0 (2002/3)
Malaysia	17.1 (1990)	6.1 (1997)	8.5 (1999)	3.6 (2007)
Philippines	39.9 (1991)	28.1 (1997)	39.1(1998)	27.0 (2005)
Thailand	27.2 (1990)	11.4 (1996)	15.9(1999)	9.8 (2002)
Vietnam	25.0 (1992)	15.7 (1996)	13.3 (1999)	24.1 (2004)

Notes:

1. Using national poverty lines
2. For the Philippines, the incidence is based on the number of households
3. There are no poverty incidence data for Brunei Darussalam, Myanmar and Singapore.

Source: Adapted from Asra et al (2003). Updates from Ragayah (2008), Warr & McClean (2008)

While these figures on the incidence of absolute poverty indicate that it varies from almost zero to about 40 per cent of the households, the actual variations might be wider still due to the differences in the definitions of income as well as the poverty line income (PLI). All of these complicate making cross-country comparative analysis. Hence, it is cautioned that comparative discussions are relevant mainly in terms of relative directions rather than the absolute values. For example, in terms of the definition of income, the Malaysian Household Income Survey (HIS) employed a comprehensive definition, including cash and non-cash incomes of households from employment as well as transfers and value of owner-occupied houses (see Ishak and Ragayah 1991, Bhalla and Kharas 1992 and Shireen 1998 on the discussion of the data sources and comparability). The main objective of the HIS is to collect information on the pattern of income distribution classified by various socio-economic characteristics in Malaysia. These surveys also used the “household” as the unit of enumeration, defined as a “group of persons normally living together, pooling their financial resources and eating from the same pot.” Other countries may define income differently. For example, in Singapore, the Department of Statistics defines household income as the sum of income received by all members of the household from employment and business and it does not include the benefits derived from subsidies on housing, education, health, and other income transfers to the lower income group.

In terms of the PLI, definitions also vary across countries. For example, in Indonesia the food PLI is based on the expenditure per capita of food equivalent to the amount of rupiahs needed to attain the standard of 2100 calories energy requirements

chosen from 52 food items (Ali Said and Widyanti, 2002). On the other hand, in Malaysia, prior to 2004, the PLI was estimated based on the minimum requirements of a household for three major components, namely food equivalent to a daily requirement of 9,910 calories for a family of five persons, clothing and footwear, and other non-food items. From 2004, Malaysia follows a similar methodology to that of Thailand (see Kakwani 2003), whereby the PLI is defined separately for each household in the household income survey based on its size, demographic composition and particularly taking into account price differences between locations.

The situation of relative poverty income inequalities in these countries also varies, as shown in **Table 4** and **Table 5**. The Gini ratios are lower for Indonesia because of the use of expenditure data (which exclude savings) while the other countries use income data. What is obvious is that no matter what type of data are utilised, all the countries are experiencing upward trends in inequalities. All the countries, with the exception of Vietnam, experienced a U-turn in the trends. Many studies have argued that this is due to the impact of the process of globalisation and liberalisation. This would have serious implications on the ability of the ASEAN countries to realise their vision of reducing poverty and development as well as income disparity. Since this is to emanate from growth through trade and investment, then a more detail examination of the possible effects of economic integration needs to be carried out.

There are no Gini ratios available for Brunei Darussalam and Myanmar, while Cambodia and Laos reported the Gini coefficients only for 1997, being 0.40 and 0.37 respectively. Moreover, some idea about the inequality of income distribution can be gauged by examining the income ratio of the top decile to the bottom decile for the available years. This can be done for only Cambodia, Laos and Myanmar as there is no information available for Brunei Darussalam. The figures available for Cambodia and Laos are for 1997 and the ratio is 11.7 and 9.6 respectively. The figure for Myanmar is for 1998 and the ratio is about the same as for Cambodia, with the top decile getting 11.6

Table 4
Gini Ratios for Household Income in Six ASEAN Economies, 1983 – 2005

Year	Singapore ^a	Indonesia ^b	Malaysia	Philippines	Thailand	Vietnam
1983	0.48	-	-	-	-	-
1984	0.474	0.33	0.474	-	-	-
	0.47	-	0.480	-	-	-
1985	0.46	-	-	0.452	-	-
	-	-	-	0.446	-	-
1986	0.46	-	-	-	0.500	-
1987	0.47	0.32	0.458	-	-	-
1988	0.48	-	-	0.445	0.479	-
1989	0.49	-	-	-	-	-
1990	-	-	0.446	-	0.504	-
1991	-	-	-	-	-	-
1992	-	-	-	-	0.536	-
1993	-	-	0.459	-	-	0.330
1994	-	-	-	0.46	0.521	-
1995	0.443	-	0.464	-	-	0.356
1996	-	0.366	-	-	0.516	-
1997	0.444	-	0.470	0.51	-	-
1998	0.446	-	-	-	0.509	0.348
1999	0.467	0.373	0.452	-	0.531	-
2000	0.490	-	-	0.51	0.525	-
2001	0.493	0.31	-	-	-	0.407
2002	0.505	0.33	0.461	-	0.505	-
2003	0.512	-	-	0.4605	-	-
2004	0.517	-	0.462	-	-	-
2005	0.522	0.33	-	-	-	-
2006	0.476	-	-	0.4564	0.439	0.432
2007	0.489	0.36	0.441	-	0.427	-
2008	0.481	-	-	-	-	-
2009	0.478	-	0.441	-	0.408	-

Notes: a/ For employed population, not households.

* Employed expenditure, not income data.

Sources: Medhi & Ragayah 2008, up to 2005. After 2005 data sources are as follows: Singapore, Department of Statistics (2009, 2010); Indonesia, Satish Chandra Mishra (undated); Malaysia (Malaysia 2008, 2010); Philippines (NSCB); Thailand, provided by National Statistical Office; Vietnam (Hodgson 2007)

times that of the bottom decile. As the ratios for the ASEAN-4 countries are in terms of quintiles, the comparison becomes more complicated.

Table 5
Income Share by Quintile, 1961 – 1999

		Q1	Q2	Q3	Q4	Q5	T/B ratio
Indonesia	1976	6.6	7.8	12.6	23.6	49.4	7.5
	1987	8.8	12.4	16.0	21.5	41.3	4.7
	1990	8.7	12.1	15.9	21.1	42.3	4.9
	1999	9.0	12.5	16.1	21.3	41.1	4.6
Malaysia	1973	3.5	7.7	12.4	20.3	56.1	16.0
	1987	4.6	9.3	13.9	21.2	51.2	11.1
	1989	4.6	8.3	13.0	20.4	53.7	11.7
	1997	4.4	8.1	12.9	20.3	54.3	12.3
Philippines	1961	4.2	7.9	12.1	19.3	56.4	13.4
	1965	3.5	8.0	12.8	20.2	55.4	15.8
	1971	3.8	8.1	13.2	21.1	53.9	14.2
	1985	5.2	8.9	13.2	20.2	52.5	10.1
	1988	6.5	10.1	14.4	21.2	47.8	7.4
	1997	5.4	8.8	13.2	20.3	52.3	9.7
Thailand	1975-76	5.6	9.6	13.9	21.1	49.8	8.9
	1981	4.6	7.9	12.1	19.9	55.6	12.1
	1988	4.5	8.1	12.3	20.3	54.9	12.2
	1990	4.1	7.4	11.6	19.7	57.3	14.0
	1992	4.0	7.1	11.1	18.8	59.1	14.8
	1998	4.2	7.7	11.9	19.8	56.3	13.4

Note: T/B ratio is the ratio of income share of the Top (richest) quintile to Bottom (poorest) quintile

Source: Kromgkaew and Ragayah (2006).

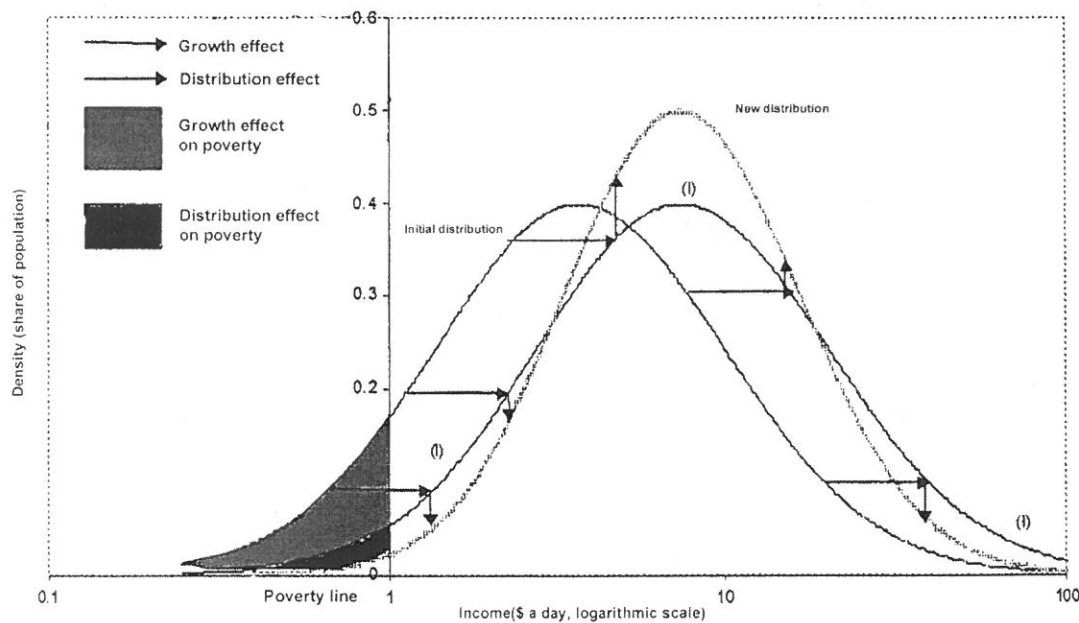
While the progress in the eradication of absolute poverty is positively correlated with the level of development of each nation, the situation of relative poverty is quite different. For example, although Singapore's per capita income is higher than even many developed countries, its degree of inequality is similar to that of Malaysia. Moreover, as some countries of ASEAN, like Indonesia, employed expenditure data in their estimates, it is thus difficult to make a comparative analysis, except that they are generally showing increasing trends and are too high to be socially acceptable.

3. Poverty Reduction Strategies in ASEAN: An Attempt at Comparison

This Section will briefly examine the policies pursued in some of the ASEAN countries to explain their trends in poverty reduction and income disparity.

Growth is extremely important for poverty eradication. In Figure 1, growth without a change in distribution would eradicate poverty by the red shaded area. However, if this is accompanied also by redistribution, the enlargement of the middle classes would reduce poverty further by the blue shaded area.

Figure 1 Impact of Growth and Distribution on Poverty Eradication



Source: Bourguignon (2003).

Despite diverse historical origins and different environments surrounding the ways in which each economy in East Asia began its development process, one fact remains clear: almost all of these economies experienced a very rapid economic growth in the 1980s and the first half of the 1990s. Indeed the growth of East Asian economies represented by the majority of our economies above was so impressive and outstanding that numerous studies were undertaken to explain or analyse the apparent success of these East Asian economies. The most well known of these studies is, perhaps, *The East Asian Miracle* (EAM) published by the World Bank in 1993.

According to the EAM, there were at least three main explanations to the economic success of East Asia. The first explanation referred to the non-interference of the state and the force of the free market in the neoclassical fashion. Wolf (1988), for instance, found that many of these successful East Asian economies benefited from decisions and policies that limited government's role in economic decision making and allowed markets, despite their imperfections and shortcomings, to exercise a decisive role in determining resource allocation. Even earlier on, Chen (1979) already saw the merits of this non-interference of the state, saying that what the state had provided was a suitable environment for the entrepreneurs to perform their functions.

The second explanation, often called revisionist explanation, challenged the neoclassical view by arguing that the governments in many of these economies extensively and selectively promoted individual sectors (sometimes even by deliberately distorting prices). The third explanation, which was made by the World Bank in its 1991WDR, lies between the first two explanations. In this so-called 'Market-Friendly View', rapid growth in East Asia was associated with effective but carefully delimited government roles. The governments need to do less in the areas where the markets work, and to do more in the areas where the markets could not be relied upon. In the World Bank's view, the appropriate role of governments in a market-friendly strategy was to ensure adequate investments in people, provision of a competitive climate for enterprise, openness to international trade, and stable macroeconomic management. The EAM itself expands on this third interpretation and suggests a Functional Growth Framework whereby the three policy choices, namely the attainment of good basic economic fundamentals, the selective intervention, and the existence of good institutions, are used to explain the East Asian economic miracle (World Bank, 1993, p. 88).²

Since poverty eradication and income redistribution are very much a national policy, a brief description of the policies pursued by each country³ will be provided here (wherever information is available).

3.1 Singapore

For Singapore, absolute poverty is no longer an issue. However, relative poverty or income inequality remains a problem. In reviewing the various studies on income inequality in Singapore between the mid-1960s to the end of the 1980s, Medhi (1994) noted that the Gini ratio declined in the 1970s mainly due to the achievement of full employment and tightening labour markets. Chia and Chen (2003) pointed out that educational attainment is an important factor in reducing poverty and improving income distribution. Mukhopadhaya (2000) argued that the low inequality did not last long since, with the loss of competitive advantage in labour intensive industries, the government initiated a programme of economic restructuring and encouraged the move towards skill and technology intensive industries. The services sector, particularly financial services, was also actively promoted. Since the supply of skilled and educated workers lagged behind their demand, those with the required qualifications were paid well while earnings of those without remained stagnant or dampened by the entry of unskilled foreign workers. Booth (2000) cited Rao's study, which attributed rising inequalities in the 1980s and 1990s to the same reason.

3.2 Indonesia

Poverty in Indonesia had been steadily declining from 1990 (15.1%) until the economic crisis of 1997-1998 when the rate shot up to 24.2%. However, the rate has steadily declined again since 2000, although it did rise in 2006 probably because of the increase in the fuel and rice prices. In 2007, national poverty rate was 16.6%, which means that more than 37 million people are poor (Warr & McClean 2008).

There are four main important policies devised by the New Order government (1969-1998) for poverty eradication (Tambunan 2005). First, the rice policy, which subsequently led to Indonesia's attainment of "rice self-sufficiency" in 1984, was one of the important factors that had a lasting impact on alleviating poverty. Second, during the oil boom in the 1970s, the government made substantial allocations to the social and human resource development sectors, as well as to transport infrastructure. It was during this period that the government implemented the expansion of primary school (SD INPRES) and health centres (PUSKEMAS) to ensure wide access to these basic social services. Moreover, during this period, the government also established the INPRES funding system, which allows direct grants from the centre to the regions. Third, the government ensured that particular social sectors were protected within the development budget, primarily by utilizing the INPRES mechanism. Fourth, the government launched labour-intensive projects, which have long been part of the government's efforts to stimulate employment and income during tough economic times.

During the 1997-1998 financial crisis, an anti-inflation strategy combined with exchange rate stability brought the "inflation shock" of 1998 under control while the social safety net (SSN) programmes managed to reduce poverty, or at least to keep it from being worse. This two-track policy, i.e. one focusing on aggregate price stability and the other on subsidising the price of key goods and services consumed by the poor, was deemed as a good strategy, since an anti-inflation strategy pursued within a macroeconomic framework cannot on its own adequately protect the poor from the ravages of inflation since the poor and non-poor households do not face a uniform inflation rate or suffer to the same extent from a surge in prices.

In 2001, the Indonesian government established the Coordinating Board for the Alleviation of Poverty (BKPK). The primary objective of BKPK is to coordinate all existing poverty alleviation programmes so that they can be more effective, efficient and more closely integrated. To achieve this goal, the body has four important roles, namely, the national coordinator, catalyst, mediator and facilitator. As a coordinator, the body is formulating the principle standards regarding the concepts of poverty that are used by central and regional government agencies. As a catalyst, BKPK is attempting to overcome the obstacles to the implementation of policies and programmes, so in the process such policies and programmes are more transparent and effective. As a mediator, the body acts as the vehicle to accommodate the various aspirations of all the parties that are involved directly as well as indirectly in alleviating poverty. Finally, as a facilitator, BKPK has a job to connect donor groups with programme implementers. Conceptually, BKPK is attempting to assist the community to escape poverty by allowing them to become more self-reliant. To achieve this end, the body will implement various short-term and long-term programmes for the poor to empower them (Widyanti and Perwira, 2001).

In order to accelerate growth and to push ahead with its pro-poor growth and pro-jobs agenda the Government has developed and begun to implement three time bound policy packages in 2006 in the areas of infrastructure, investment and financial areas. In addition, sectoral policies provide specific platforms. The Government has made a bold decision to cut oil subsidies and provide compensation to 19.2 million poor Indonesians in the past year. After an increase of close to 150% in domestic fuel prices in 2005 the government reallocated billions in savings to strategic pro-poor programmes including reduced school fees and scholarships for poor students, basic health care and health insurance for the poor, and providing village infrastructure. To maintain its poverty focus the Government is scaling up its village infrastructure programmes (based on the Kecamatan Development Programme and Urban Poverty Programme models) and piloting a shift from unconditional to conditional cash transfers (Warr & McClean 2008).

In terms of relative poverty or income inequality, the official Gini ratio fluctuated slightly, from 0.34 in 1976 to 0.33 in 1981 and 0.34 in 1993. The situation in Indonesia demonstrates that rapid economic growth does not necessarily lead to increased inequity. The macroeconomic stability and high economic growth experienced by Indonesia during the Suharto era and after the 1999-2001 period has brought down the incidence of poverty and increased income of the poor helped narrow income disparity. Several factors have been forwarded to explain this phenomenon. First, the pace and pattern of economic growth were sufficiently robust to allow improvements in real earnings for most workers in lower-income groups. Second, the government's management helped cushion the poor from the adverse effect of public expenditure reductions. Moreover, 'poverty-related' expenditures such as human resource development were protected relative to public expenditures of less benefit to the poor. Ali Said and Widyanti (2002) claim that inequality in the overall (urban + rural), the urban and the rural areas all improved during the crisis (in 1998). They attribute the decline in inequality possibly to the crisis hitting the high-income households disproportionately hard since the income share of the poorest 40 per cent rose by only less than 1 per cent, while that of the richest 20 per cent fell by over 3 per cent between 1996 and 1998. However, when the economy picked up slightly in 1999, inequality returned.

3.3 Malaysia

On the whole, poverty eradication has received strong institutional and budgetary support at the federal, state and local level. **Table 6** shows that between a quarter and one-third of development expenditure in the second to the Sixth Malaysia Plans were allocated to poverty eradication. The amounts for this purpose were not specified in the Seventh and Eighth Malaysia Plans, but are believed to be substantial. However, the share allocated under the Ninth Malaysia Plan plunged, reflecting the massive reduction in poverty incidence from 52.4% in 1970 to just 4.4% in 2004. The focus of poverty eradication strategies of the Ninth Malaysia Plan 2006-2010 is on eradicating hardcore poverty and halving overall poverty by the end of the period (Malaysia 2006: 341).

Table 6
Total Development and Poverty Eradication Allocation by Plan (RM million)

Plan Period	Average Annual Growth Rate	Total Development Allocation	Poverty Eradication Allocation	% Share
Second Malaysia Plan 1971-1975	7.1	8950	2,350	26.3
Third Malaysia Plan 1976-1980	8.6	31147	6,373.4	20.5
Fourth Malaysia Plan 1981-1985	5.1	46,320	11,238.5	24.3
Fifth Malaysia Plan 1986-1990 ¹	6.7	35,300	13660	38.7
Sixth Malaysia Plan 1991-1995	8.7	54,705	13,900.8	25.4
Seventh Malaysia Plan 1996-2000	4.9	67,500	n.s.	-
Eighth Malaysia Plan 2001-2005	4.5	170,000	n.s.	-
Ninth Malaysia Plan 2006-2010	6.0 ²	220,000	4,465.3	2.2

Source: Various Five-year development plans.

Note: n.s. = not specified

¹ Actual expenditure

² Projected

The impacts of public policies on growth, poverty and equity during the NEP period have been widely discussed in the work of Ishak and Ragayah (1990), Bhalla and Kharas (1992), Zainal Aznam (1994, 2001), Ragayah (1994, 1998, 1999a, 1999b 2000, 2007), Ragayah and Muhammad Haji Alias, 1996, Shireen (1998), and Ishak (2000). This section draws heavily from their findings. General policies and programmes for poverty eradication took the form of broad macroeconomic development policies to stimulate growth and provide employment opportunities (see Table 4). Bhalla and Kharas (1992: 72) emphasized that Malaysia's growth during the NEP was broadly based with the poor sharing in the opportunities provided by the growing economy and contributing significantly to output growth. They emphasized the strategy of maintaining an open economy with export promotion and low tariff rates and the fact that Malaysia did not heavily tax its primary sector to finance growth. Second, the government played a major role particularly in providing infrastructure,

education and health facilities. They note that the low rates of inflation and foreign direct investment (FDI) were also conducive to decreased poverty and narrowing income inequality.

At the same time, specific poverty eradication policies and programmes were implemented. The following discussion focuses on those interventions that are believed to have the most impact, that is, education and employment, industrialization and structural change, rural development, and restructuring of equity ownership and asset accumulation.

(1) Education and Employment

The two main strategies employed to tackle poverty and restructure society were the universal provision of education and the creation of productive employment opportunities in the secondary (mining, manufacturing, construction, utilities and transport) and tertiary (commerce, banking, public administration, education, health, defence and public utilities) sectors.

Education was given a central role in the NEP as a strategy to modernize society, attain social goals, equalize opportunities and promote national unity. Faaland et al (2003: 59) stress that education was of particular importance for the rural population and for the urban unskilled Malays, as well as for creating a leadership elite to enable the Malays to take their rightful place in society. Increased spending in the education sector supported rising enrolment in secondary school enrolment. Moreover, special efforts were directed towards increasing the level of education among the poor and among women (Bhalla & Kharas 1992: 72). Malay women were the main beneficiaries as education enabled them to work in the modern sector. Thus, their share in total individual earned incomes of all Malays doubled between 1973 and 1987 from 16% to 32%. Moreover, by 1987, 87% of Malay women's incomes came from the formal wage-earning sector. The gain was due to a slight increase in their labour force participation rate, but more important was the structural shift from self-employment in low productivity agricultural occupations to higher paying formal wage-earning jobs provided by the export-oriented labour intensive manufacturing sector (mostly generated by foreign direct investment) and the Government sector (Bhalla & Kharas 1992: 80).

The first target of the NEP restructuring was an enormous increase in Bumiputera employment at all levels in the modern sector to reflect the social composition of the population. This was to be attained through the development of education and training programmes to raise the supply of trained manpower and by direct incentives plus administrative measures to boost their participation in the modern

sector. Two types of training programmes, namely, training to augment the number of skilled and professional Bumiputeras so as to facilitate employment restructuring, and training to develop a Bumiputera commercial and industrial community (BCIC), were carried out. Although Chinese and Indians also advanced in their educational attainment, the two decades (1970-1990) saw tremendous growth of Bumiputeras at all levels—primary, secondary and tertiary—and in all fields. Targeted educational programmes, including university enrolment quotas, scholarships and other educational subsidies, aided the Bumiputeras to improve their earning capacities and greatly expanded the Bumiputera middle class. By 1990, Bumiputera employment in the economy's secondary and tertiary sectors rose to 26.5 per cent and 40.1 per cent from 18.5 per cent and 15.3 per cent in 1970 while employment in the primary sector fell to 33.4 per cent from 66.2 per cent. The corresponding figures for 1998 are 37.3 per cent and 42.8 per cent, while the share in the primary sector fell to 19.9 per cent.

The increase in human capital formation coupled with the increase in physical capital also contributed to rapid wage growth. Bhalla and Kharas (1992: 77) estimated that the quality⁴ of the labour force rose at the rate of 1 per cent per annum between 1973 and 1987. They also argued that labour productivity increased with capital deepening, resulting in another 1 per cent per annum wage rise. The remaining wage increase was attributable to total factor productivity growth. Overall, they found that wages have risen as a share of household income, and that the distribution of wage earnings has become more equal because of the growing equality of education opportunities.

(2) *Export-oriented industrialization*

Bhalla and Kharas (1992) stress that in creating opportunities for all, Malaysia's development strategy played a major role in alleviating poverty. Rapid growth during the NEP period, particularly in the export-oriented labour-intensive manufacturing sector as well as the Government sector⁵, provided employment for many. This absorption of increasingly educated rural labour into the higher income occupations in the urban industrial and service sectors was the most important avenue to reduce rural poverty. Not only did more people become employed over the period, but also significantly more people were employed full time. Substantial employment opportunities were created through labour-intensive industrialization, especially in electronics and textiles. In the 1970s, [total employment equaled 3,339.5 thousand in 1970] 497,000 new jobs were generated by the manufacturing sector; another 402,000 in the 1980s, and many more in the 1990s (Zainal Aznam 2001: 88).

The tightening of the labour market in the late 1970s and early 1980s, together with increased productivity of a more educated labour force, led to rising wage rates. Moreover, the percentage increases in government sector wages were inversely related to government salary levels: the lowest levels increased most rapidly. As a result, the rise in the share of wages in household income was fastest among the low-income groups in the urban areas, so that poverty incidence dropped in the urban areas. Transfer incomes remitted to the rural households by family members who migrated to the urban areas also played a significant role in mitigating inequality and poverty incidence. In fact, it was the ability of the rural labour force to find jobs in the modern sector and subsequent income transfers that helped to reduce poverty and improve the distribution of income in the rural areas, notwithstanding a number of rural development programmes that had actually (and unintentionally) increased income inequality.

(3) *Rural Development*

Since the incidence of poverty in Malaysia had always been predominantly rural, it was critical that rural-based poverty reduction and income improvement programmes be implemented. Hence, high priority has consistently been placed on agricultural and rural development throughout the NEP period. The various Malaysia Plans also emphasized rural development to raise the income of the rural poor. The core of the Malaysian rural development strategy encompassed two components—the Integrated Agricultural Development Programmes (IADPs) and the regional development strategy. The IADPs were designed to revitalize and rehabilitate in situ or existing agricultural areas that faced problems of low productivity and poverty. This strategy centred on integrated, comprehensive programmes of agricultural, socio-economic and institutional development. The various development agencies specific to the IADPs provided a co-coordinated package comprising basic physical and economic infrastructure and social amenities. Regional development includes regional and land development including land consolidation and rehabilitation. The former were undertaken by regional and land development agencies such as Federal Land Development Authority (FELDA), while Federal Land Consolidation and Rehabilitation Authority (FELCRA) undertook the latter. Regional Development aims to redress economic and structural imbalances between regions, slowing rural-urban migration and promoting local agricultural and industrial development.

In addition to the dual core strategy, rural development includes provision of more general institutional and agricultural support services and subsidies. Among these are extension services, research, training, subsidized credit and other essential farm inputs as well as price subsidies, processing and marketing support to reduce real costs of production and to increase efficiency in production. Other strategies to raise

farmers' incomes include replanting grants and subsidies to rubber, pineapple and coconut smallholders and traditional farmers, plus the promotion of rural industrialization to generate employment as well as supplementing rural incomes. Finally, social development programmes have complemented these strategies. These provide basic social amenities and community development through which positive values and self-help among rural households and youths are instilled and knowledge of better food and nutrition is communicated to rural households in order to improve health and nutritional standards.

To overcome the problem of landlessness, the Malaysian Government did not pursue traditional land reform, but developed large tracts of new lands, mainly by means of the Federal Land Development Authority. FELDA prepared holdings large enough to support a family above the poverty line, usually by clearing forest and planting oil palm or rubber. FELDA settlers were also provided with housing, piped water, access roads, agricultural extension services, and processing outlets for their production. The Authority met its "turn-key" land-development targets in all of the five-year plans since its inception in 1970. By 1973, it had settled 29,000 farm families on its schemes. These were poor, landless or near landless young families (one criterion for selection was ownership of less than one hectare land). By 1973, it was already five percent of the Peninsula's total agricultural population (about 619 thousand households). Meerman's study based on a survey conducted from 1974 showed that on average these settlers were cultivating 10.6 hectares, had been in the settlement 7 years, and had average incomes, with low variance, that put them solidly in the third income quintile, that is well above the poverty line (Meerman 1979: 256-61). The evidence is very strong that this pattern holds for the later settlements as well.

The FELDA approach to reducing poverty has been frequently criticized because of high costs and biased selection criteria. Its costs per beneficiary have been very high, particularly during the development phase with land clearing, planting, etc. done by private contractors. FELDA's permanent large bureaucracy, *inter alia*, to support settler selection, community development, output marketing and processing also was costly. By 1981, FELDA's cumulative expenditures financed by the government stood at about RM3 billion, while the total number of settler households was about 70 thousand. Hence average costs per settler family were just under RM43,000 then. Moreover, those settled on FELDA schemes were not the most needy among the poor, namely the citizens of the northern states, as state laws in the areas of settlement gave preference to the in-state population. Further, several studies have concluded that a considerable proportion of settlers were selected in part because of political affiliation (Mehmet 1986: 65). Finally, it is noteworthy that, at present, settlers' children have become increasingly migrants to the cities and from the farm. They are being increasingly replaced by immigrants.

Notwithstanding these strictures, because of their large scope (as measured in area put into production), FELDA land settlements were by far the most effective among the many rural development programmes in reducing rural poverty. Up to 1990 when there was no more new intake, there were 119,406 settlers, but 6,771 are no longer under FELDA administration as they have sold their land for development (Ahmad Tarmizi 2007). Many of the settlers have paid for the costs incurred and obtained titles to the land while the Government has repaid the loans used to develop the scheme. Many of these settlers have become well off as the value of the land alone is at least RM50,000 per acre. The model is now replicated in Sierra Leone.

On the whole, it can be said that while rural development programmes do improve the income and welfare of rural households, their efficacy in achieving this objective as well as redistributing income can still be improved. Moreover, while these programmes helped in poverty eradication, studies have shown that they were not as effective in redistributing income among the rural households since their benefits were rather unequally distributed.

(4) *Restructuring of equity ownership and asset accumulation*

In addition to restructuring society through eliminating the identification of ethnicity with employment, the second prong of the NEP also sought to redress the imbalances in the ownership of assets and wealth in all sectors of the society. Price discrimination in support of Bumiputera-operated businesses (for example, subsidised loans and credit, as well as financial and management training were provided. The NEP envisaged the creation of the BCIC within one generation that would own and manage at least 30 per cent of the total commercial and industrial activities so as to become full partners in the economic life of the nation. This would involve restructuring the ownership of financial and physical assets in all sectors of the economy. However, as the economy developed and modernized the role of the corporate sector would expand, and as the country's financial structure became more sophisticated, the key to the ownership and control of wealth would be through the ownership of equity capital. Hence, ownership of assets would be through the ownership of share capital and effective management of various enterprises.

The ownership of Bumiputera share capital was targeted to increase to 30 per cent by the end of 1990, but the amount actually attained was 20.3 per cent attained through various means. Firstly, individual Bumiputeras have managed to step up their savings and acquired equity in the corporate sector, building up their own businesses or through privatization. Secondly, the Government set up the Bumiputera Investment Fund to acquire shares reserved for the Bumiputeras. These shares were later redistributed to the individual Bumiputeras when they could afford them through the

purchase of shares in the National Unit Trust (or Bumiputera Unit Trust after 1990) set up specifically for this purpose. Finally, the remaining amounts of capital stock meant for the Bumiputeras were acquired by the public sector agencies that were set up to create and/or purchase stock in trust for the eventual sale to them.

Rapid expansion of the modern commercial and industrial sector also enabled the number and quality of Bumiputera entrepreneurs to be increased. Various programmes were formulated for this purpose including training, credit assistance, advisory and extension services, technical assistance, administrative support and direct government participation in the private sector. One of the ways to develop the BCIC is through the promotion of the small and medium scale industries (SMIs) since SMIs could play an important role in the development of entrepreneurship, creation of employment, mobilization of individual savings for investment, broadening the industrial base of the Bumiputeras and providing input and supportive services to large scale industries as well as improving the distribution of income.

The declining trends in income inequality after the mid-1970s could also be attributed to some compulsory saving schemes, such as the Employment Provident Fund, and voluntary schemes like the National Unit Trust (ASN), MARA Unit Trust, *Lembaga dan Urusan Tabung Haji* and the like, which helped to foster the savings habit among the poor. These savings schemes which attempt even to reach the smallest savers help to build up the asset base of the rural as well as the Bumiputera households. Prior to 1990, the ASN has a RM50,000 upper limit to prevent it from being concentrated in a few hands. With the building up of savings over time, low-income households would also be deriving income from capital ownership to supplement their labour income. After 1990, the ASN became ASB (Bumiputera Unit Trust) with an upper limit of RM100,000, which was revised to RM200,000 in the mid-1990s. Not only that but dividends and bonuses reinvested are not subject to any restrictions, thus allowing the better off Bumiputeras to continue reaping the benefits. The latter development is also likely to have contributed to the rise in inequality after 1990.

(5) *Other Policies and Programmes*

i. Provision of social amenities and housing

Basic services such as education and training, health and family planning, social and community services, and utilities as well as infrastructure have increasingly become available to all communities to the present. However, poor households receive these benefits either as subsidized or free. The Applied Nutrition Programme to reduce infant and maternal mortality rates was also implemented. Urbanization of rural areas was later stressed in order to facilitate supply of these services. During the Eighth Malaysia

Plan 2001-2005, RM589.5 million was expended on ten *Skim Pembangunan Kesejahteraan Rakyat* (SPKR) programmes, which focused on economic and social projects to benefit the hardcore poor (Malaysia 2006: 327). These programmes helped to raise the income of the poor in part by increasing their productive capacity.

Coverage of basic amenities and services were extended to the rural areas where most of the poor lived. By the end of 1995, 88 per cent of the urban and 72 per cent of rural poor households had access to electricity. Moreover, 92 per cent of the urban poor and 65 per cent of the rural poor households had access to potable water, while 88 per cent of the urban poor and 77 per cent of the rural poor were within nine kilometers of either a government or private clinic. Rural areas were also served by mobile dental teams and dispensaries and village health teams and the flying doctor service covered remote and outlying areas.

One of the pressing problems in urban centers has been the inadequacy of proper housing with appropriate social amenities. Thus, one of the strategies to alleviate urban poverty is the provision of low cost housing as well as social amenities to raise the standard of living and quality of life of the urban poor. To increase the stock of affordable houses, the government established the Low-Cost Housing Fund in 1993 to expedite the construction of low-income housing. Then the Revolving Fund for Low-Cost Housing was also created as the government intensified its effort to provide affordable housing to the poorer section of society. During the 1997-1998 financial crisis, the government also allocated RM2 billion to the Special Scheme for Low and Medium Cost Houses. Apart from these special programmes, the government continues to require housing developers to allocate 30% of their schemes to the construction of low-cost houses (Mohd Zin, 2001:149).

Nevertheless, due to unaffordability or unavailability of low-cost houses, as well as the high rents charged for urban dwellings, squatter settlements have sprouted around the cities. Efforts were also made to upgrade their living environment in these areas, including the provision of asphalt roads, water and electricity supply, and facilities for solid waste disposal. Certain local government like the Kuala Lumpur City Hall also provides public amenities such as community halls, clinics for expecting mothers and kindergartens for preschool children (Mohd Zin, 2001:150).

ii. The Non-governmental Organizations

Non-governmental organizations also play a significant role in reducing poverty. *Amanah Ikhtiar Malaysia* (AIM) reduces hard-core poverty by providing interest free micro loans to the poor to undertake income-generating activities under close supervision. As in the Grameen Bank, most of the beneficiaries are women. During the Sixth Malaysia Plan 1991-1995, the government provided a RM20 million loan to

AIM, while AIM provided interest-free loans worth RM77.1 million to about 36,200 poor households to enable them to venture into poultry and livestock rearing and small-scale businesses such as retailing groceries, and the servicing and repairing of vehicles. Most of these ventures were successful, as reflected in the increased household income of the participants and the loan repayment rate of almost 100%. Recognizing the effectiveness of AIM in providing loans to the hardcore poor and the shortage of its capital fund, the government provided an interest-free loan of RM300 million during the Seventh Malaysia Plan 1996-2000 (7MP). A total of 22,800 poor families obtained micro-credit financing during the five-year period (Malaysia 2001: 59). By the end of 2005, AIM had provided micro-credit amounting to RM1.02 billion to 147,544 participants, mostly women and single mothers in the rural areas (Malaysia 2006: 327).

The state-based *Yayasan Basmi Kemiskinan* (Poverty Eradication Foundations) for Kedah, Kelantan and Selangor also complement the government's efforts to eliminate hardcore poverty. Financed by private firms, they focus on skill training with guaranteed employment, educational assistance and better housing.

iii. Public/Social assistance

The Department of Social Welfare, under the jurisdiction of the Ministry of National Unity and Social Development, provides cash and benefits in kind such as clothing and food parcels, as well as apprenticeship training and small business launching-grants. These programmes are strictly means-tested, and low income is the principle determinant of eligibility. Benefits are not provided for claimants who have close relatives able to support them.

The Federal government limits assistance given to claimants based on their total monthly income⁶. Maximum monthly allowances are RM80 per person or RM350 per family. Those above the age of 60 years who are destitute, not able-bodied and do not have relatives to depend on for support are eligible to apply for assistance of RM130 a month. Benefits are biased towards claimants in the urban areas as most rural dwellers are excluded either through ignorance or inability to negotiate administrative procedures, for example, processing complicated applications.

One form of social assistance available to the Muslims is the zakat, which is an Islamic welfare institution that collects funds and distributes to a specified list of qualifying recipients which may be considered a form of social assistance. Although it operates openly and has a formal structure, the means of allocating assistance are more informal. Distribution is based on the deliberation of zakat councils subject to Quranic guidelines, rather than strict and consistent economic criteria. Zakat collection and distribution is not centralized at the national level, but is overseen by fourteen Islamic

Councils – one in each state, and the Federal Territories. Beneficiaries may qualify under one of eight categories. Zakat may be granted to the poor and destitute, zakat collectors, new converts and travelers, for payment of debts, the freeing of slaves, and upholding the religion. The regulations are also decentralized to the state level. For example, in Wilayah Persekutuan, RM143.3 million and RM169.2 million were collected for 2006 and 2007 respectively while RM101.5 million and RM121.2 million were distributed through the various zakat channels, with the destitute and poor comprising a large portion of the zakat recipients (Zakat Report 2008:61-62).

3.4 The Philippines

According to Lamberte (2005), some of the recent poverty-directed programmes implemented by the government have been:

- *Community Employment and Development Programme*. Started by President Aquino, the programme aimed to generate employment, although with emphasis on the rural areas;
- *Social Reform Agenda*. As a Flagship Project initiated by President Ramos, This pro-poor undertaking consisted of, among others, the Programme and the Recognition, Respect and Protection of Ancestral Domain for the Indigenous Peoples; Socialized Housing; Comprehensive and Integrated Delivery of Social Services (CIDSS); and Expansion of Credit and Livelihood;
- *Poverty Eradication Programme, or Erap Para sa Mahirap*. Programme under the Estrada Administration, which includes the Lingap Para sa Mahirap Programme, NFA Food Subsidy under Lingap and Microfinance Programme;
- *KALAHI-CIDSS*, which stands for *Kapit-Bisig sa Kahirapan*. The programme that has been introduced by President Aroyo includes, among others, a rice distribution programme for the poorest sector, per identification of the Department of Social Welfare and Development
- *The National Shelter Programme*, which includes, among others, the following relevant housing programmes for the masses:
 - *Community Mortgage Programme*. This is a mass housing programme that seeks to respond to land tenurial problems in marginalized communities;
 - *Abot-Kaya Pabahay Fund*, aimed to enhance the affordability of low-cost housing by low income families;

- *National Housing Authority Resettlement Programme*, which is designed for families belonging to the lowest 30% income group who have been displaced for sites meant for infrastructure projects and from areas designated as dangerous zones.

In addition, there are also social security programmes that target three vulnerable groups: the chronically poor (those who remain poor even during periods of economic growth), the temporarily poor, and certain groups directly affected by economic reform who may or may not be poor. The three major SSN programmes are the Food Subsidy Programme, Public Works Programme, and Livelihood Creation Programme.

(1) *Food Subsidy Programme*

This is a consumer subsidy programme run by the National Food Authority. It is an income transfer from the government to the poor. To maximize the impact of transfers on the depth of food poverty, subsidies should reach the poorest income groups and regions. Results of the assessment indicate, however, that the poorest income groups and regions are not receiving their share of benefits from the food subsidy programme. Regional distribution has been unequal. It has been recommended that the food subsidy be eliminated and better alternative be developed that would target those who are nutritionally at risk to ensure reduction of leakage and cost-effectiveness. Among the approaches would be self-targeting through commodity selection, geographic targeting, and carefully targeted food stamps.

(2) *Public Works Programme*

This is a labour-based food for work programme. It can provide insurance to the poor as an employer, address seasonal unemployment, create assets for the poor such as schools, or provide disaster relief. The assessment showed that these objectives were not considered at the outset in the designing of the working programmes. Although these programmes were located in poor provinces, the poor did not benefit because effective wage rate (food plus money wages) was set too high; as a result, many non-poor took advantage. In order to maximize the benefits for the poorest, the study recommended that wages be carefully set so that the wage rate is lower than the prevailing market wage rate, and that projects should be located in areas that have poor infrastructure and where that assets created be maintained, and that monitoring and evaluation of the programme must be part of its implementation. In this vein, baseline data should be established.

(3) *Livelihood Creation Programmes*

The main objectives of this programme are the expansion on self-employment and the opening of the channels of formal credit to the poor. Livelihood programmes in the Philippines differ from similar programmes in other countries in certain respects: (a) several government line departments implement the programmes in addition to their usual functions; (b) unlike in any other countries where subsidies are transferred directly to the beneficiaries, most government line department rely on NGOs to perform banking functions; and (c) the NGOs are subsidized by the government. Evaluation results indicate the same pattern of observations: those who benefited are the near poor and the non-poor rather than the ultra-poor. Leakage was substantial. Exceptions are the Small Enterprise Assistance Programme of the Department of Social Welfare and Development and the Grameen Replication Programme, which were assessed to have reached the ultra-poor. The cost of operation, however, was very high because the government subsidized the community workers, as in the case of the DSDW-sponsored programme and the NGO operations, as in the case of the Grameen Replication Programme.

A study conducted by Jorgensen in 1996 indicates that microfinance has been proven to be effective in alleviating poverty, provided the programmes are designed to meet the needs of the poor and are delivered in a sustainable and efficient manner. The study further indicates that during the Ramos administration, there were 111 subsidized credit programmes for the poor run by government agencies that are part of the livelihood creation programme. The major ones are implemented through the Department of Trade and Industry and the Land Bank, which uses NGOs, cooperatives, rural banks and other financial institutions as conduits to the end-user. The large sums of donor funding in the country are being directed to the NGO credit programmes. The assessment, however, has shown that the performance of the programmes has generally been unsatisfactory. They were found to be inefficient and rarely reached the target client group, which is the poor.

Regarding the impact of the 1997-1998 financial crisis, Datt and Hoogeveen (2000) concluded that the impact of the crisis was modest in the Philippines relative to what has been estimated for other crisis-affected countries, causing about 5 per cent reduction in average living standards. They estimated that the largest share of the overall impact on poverty is attributable to the El Nino shock as opposed to shocks mediated through the labour market as a consequence of the crisis. Tabunda and Albert (2002) estimated the Gini ratio for 1997 and 1998, and they have shown that the coefficient has risen from 0.470 to 0.494. The inequality situation remains about the same level in 2000 (see Albert et. al.). Tabunda and Albert (2002) claims that, despite some modest biases, one may still observe that the financial and El Nino crises appear to have worsened the poverty situation with a rise in household poverty incidence,

headcount ratio, poverty gap and the Gini inequality index. Reyes-Cantos (2002) conclude that income inequality declined slightly since in 1997, and this improved inequality is from a smaller economic pie as the crisis spared no one this time.

3.5 Thailand

Poverty reduction was not significantly highlighted in the early stages of national development as the government gave priority only to economic growth, which was expected to lead to more employment, better income and eventually poverty reduction. Later, it was realized that this strategy increased the gap between urban and rural communities. A much greater rural poverty incidence forced the government to pay more attention to the countryside by introducing a number of local improvement plans and other measures. In the fifth and sixth national development plans (1982-1991), the government emphasized poverty reduction in problematic areas by setting up policy for local development. The fundamental village data were elaborated as management tools. Similarly, during 1992-1996 (seventh plan), the local development plan specified planning and distributing budget for poverty eradication, as well as expanding economic growth.

As a consequence of the Asian financial crisis, poverty incidence increased from 11.4% in 1996 to 15.9% in 1999. The number of poor people rose from 6.8 million poor people in rural community, 2.5 million in the urban communities, 0.5 million in others. The government had to allocate a special budget to undertake the following initiatives for poverty alleviation (Suwattana 2005):

- District development fund (fund for district managerial office as well as district council)
- Fund for increasing production and employment in the up-country
- Village fund (provides 1million Baht to every village and urban community in Thailand as working capital for locally-run rotating credit associations)
- Efficiency enhancement in managing village and community funds
- Thirty Baht medical scheme.

A number of poverty relief projects were also launched, namely:

- Poverty relief programme (under the Department of Social Welfare and relief centre of each village)

- Aid to poor or abandoned HIV infected people
- Donations of essential stuff
- Vocational/ skill training and out-of-school
- Cheap goods market in different areas.

The key objectives of the Ninth National Development Plan (2002-2006) have been to reduce poverty, expand social and fundamental economic services and make them more equally accessible to urban and local poor people, and to reduce disparity between the poor and the rich in the society.

As far as Thailand is concerned, Medhi (1994) argued that since the majority of the Thai population are found in the agricultural sector which benefited less from overall economic growth than the minority in the industrial and service sectors, income inequality has inevitable increased. The export-led industrialization of mainly manufactured products that has affected household income distribution through its effect on the patterns of household income and household consumption would increase the income of non-agricultural households more than agricultural households. Furthermore, Thailand's industrialization has also led to a more unequal distribution of income because investment promotion has favoured capital-intensive over labour-intensive activities, because industrial activities have been concentrated in and around Bangkok, and because the industrial sector has been protected by various government policy measures. However, NGOs have been playing an important role in poverty reduction with the realisation of the middle class on the importance of social and human development.

Ikemoto and Uehara (2000) contend that like Taiwan, Thailand succeeded in absorbing unemployed labour in the rural areas in the 1990s, thus changing to a labour-shortage economy with wage rate rising in both urban and rural areas. However, Thailand's labour-intensive industrialization led to a worsening in income inequality, which deteriorated very rapidly in the late 1980s and early 1990s. Moreover, the crisis had the worst effect on the top quintile in 1998 since their share came down while the shares of all the other quintiles went up. However, the situation was reversed in 1999, probably also due to the fact like in other crisis-affected countries that corporate restructuring assisted the wealthy rather than the poor and the low-income groups.

Ikemoto and Uehara attributed the falling inequality in 1994 to the democratic movement, which was partly caused by a slow-down of economic growth in Bangkok as well as the acceleration of economic growth in other regions. However, financial

liberalization that started in the early 1990s stimulated domestic-oriented industries that enticed educated and skilled workers with higher salaries. It also brought about the bubble economy in Thailand, which stimulated income of those who invested in stock market and real estate. Because the supply of engineers lagged far behind the demand, their wages increased rapidly, which greatly increased income inequality. When the Thai economy fell into crisis in 1997, the rural sector was also hit indirectly by losing the opportunity to work in urban areas and by reduced local government spending. However, at the same time, the devaluation of the baht stimulated agricultural exports and therefore the rural economy was not so severely affected as the urban one. Rural areas took the role safety net to absorb those who became unemployed in urban areas after the crisis.

3.6 Vietnam

Presently, Vietnam is implementing its Socio-economic Development 2001–2010 Strategy, which is aimed to greatly improve her people's physical, social and cultural living conditions; to develop a socialist-oriented market economy; and to establish the foundation for Viet Nam to become a modern industrialized country by 2020. The Government has issued many documents to guide the implementation of MDGs and the Vietnam Development Goals (VDGs). The overarching poverty reduction strategy is being implemented through the Comprehensive Poverty Reduction and Growth Strategy (2002), and Orientation for a Sustainable Development Strategy (Agenda 21) (2004), as well as national targeted and sectoral programmes.

According to Warr & McClean (2008), poverty incidence in Vietnam fell from 58.1% in 1993 to 24.1% in 2004, with the number of the poor decreasing from 40.4 millions in 1993 to 19.7 millions in 2004. Poverty declined in both rural (to 25.1%) and urban (to 10.6%) areas, and in all regions although at different rates. The most rapid reduction was in the North East, from 81.5% in 1993 to 31.7% in 2004; and the slowest was in the North West, from 81% to 54.4%. Poverty incidence of ethnic minorities remained the highest and the pace of poverty reduction was the slowest. In 2002, the poverty rate for ethnic minorities was three times higher than for the Kinh (the majority). The poorest areas (Northern Mountains, North-Central, Central Highlands) are the areas where most ethnic minority people live. They are in danger of lagging behind national development.

In 1998, based on some local experiences on supporting targeted groups of poor people in local province, the Government of Vietnam adopted a national programme known as Hunger Elimination and Poverty Reduction (HEPR). The programme can be considered as policy responses to direct causes of poverty and aimed at supporting

targeted groups in providing some of direct assistance to them. Major components of this programme include the following (see Vu 2005):

(1) *Subsidized Credits to the Poor*

Under this scheme, selected poor household are eligible for loans from a special government-owned bank for production purposes at a low, subsidized interest rates without requiring collateral or mortgage. During the period of 2000-2003, an amount of 9000 billion VND (600 million USD) has reportedly been given as preferential loans to 2.7 million poor households. In some cases, this preferential loan scheme was instrumental in helping poor households in expanding their production or shifting in a more effective and profitable business. The success, however, varies greatly from place to place and depends on many institutional factors such as selection procedures, capacity for supervision and monitoring from the local bank branches and officials, risk management and foreclosure arrangements. It is also argued that this scheme is not sustainable and may also distort the formal financial sector.

(2) *Better Access to Healthcare, Family Planning and Population Control*

There are also a set of policies that aim on helping the poor with better access to primary healthcare, free medical examination and treatment, and low transportation fees. Initiatives are also implemented in order to increase investment in medical personnel and pharmaceuticals in hamlets, the quality of medical services by increasing the capability of the medical staff in all poor communes. A special programme of support for nutrition and protection of malnourished children under five and poor pregnant mothers is currently implemented. Free services to family planning projects are also offered to the poor. As of 2003, more than 1.6 million poor people have been granted a health insurance card, nearly 2.4 million have been eligible for free medical treatment and health check.

(3) *Improving Professional Skills Through Vocational Training*

The poor need education, vocational training and health service but usually they cannot afford such services. They have no ability to send their children to school far from their homes. Many of them have to leave school and remain illiterate. In mountainous districts of northern Ha Giang Province, the literacy rate is only about 50%, according to an April 2001 survey.

The Government HEPR has many components and activities that aim to helping the poor equip with better education and vocational training. Financial support has been designed for building schools in poor communes. Free education and subsidized textbooks have been provided to poor students, especially children of ethnic minority. More than 3 million children of school age have been eligible for education fee exemption and reduction schemes; more than 1.5 million others have been given free textbooks and other support programmes.

(4) *Legal Assistance for the Poor*

There is a programme aiming to providing legal assistance to the poor. This is a very important component and very relevant to the urban, since they have to deal with many administrative procedures. Most of the poor have limited awareness of their rights and obligations and this often makes their life and business even more difficult. This legal assistance has yet to begin to reach the poor but its potential impact should not be underestimated.

(5) *Housing Assistance for the Poor*

The poor often live in dilapidated shacks and thatch-roofed houses that cannot resist strong winds or storms. Nationwide there are many ethnic people and those living in flood zones (inundated by 2 meters of water). Since 1999, the Government has assisted over 57,000 poor households to build and repair their homes. Assistance was given in building materials and roofing sheets, as well as in cash for households settling in flood-free areas, border areas and housing projects. In addition to government assistance, community and international aid is solicited. Two forms of assistance, low-interest loans and partial aid are being offered to the poor to build their houses. Other programmes that include gratitude and charity houses are being implemented to assist the poor. Poor housing is becoming a serious issue because of two main factors. Firstly, most people in urban areas are living in government-build house complexes that are very old and degraded due to lack of funding for maintaining and renovation. Secondly, real estate boom has rocketed the land process making decent housing a mission impossible for the majority of people in urban areas, including middle-class, let alone the poor. There is no feasible option at the moment and the issue will become even more serious in the near future.

(6) *Building Essential Infrastructures for Poor and Disadvantageous Communes*

By 2001, over 3,000 poor communes were identified that required investment in essential infrastructures: irrigation schemes, schools, dispensaries, clean water, electricity, roads and communal markets. The Government has invested in more than 1000 projects worth 776 billions VND for this purpose, the poor in urban areas are not eligible for this scheme.

3.7 Cambodia

Warr & McClean (2008) remarked that although there was a strong decline in the poverty rate from 39% in 1993/94 to 28% in 2004, the incidence of poverty in the more rural areas excluded from the original 1993/94 survey was 45.6% in 2004, much higher than the included areas. This result and disaggregated provincial data highlight the disparities between urban centres, such as Phnom Penh, and remote areas, with 90% of the poor living in rural areas (Ministry of Planning, 2004). Moreover, agricultural growth of the period was largely confined to rural areas in more favourable locations. Reduction in urban poverty has been driven by growth and concentration of public investment. Thus, emphasizing that growth has been generally unbalanced, centred in urban areas, and is also narrowly based, driven by such activities as garment manufacturing, construction and tourism. The authors further argue that this unbalanced economic growth and poverty reduction is likely to undermine the achievement of the MDGs, if Cambodia does not adopt deliberate, focused and targeted strategies and actions to accelerate poverty reduction in the rural areas, especially in those poverty-stricken areas that were excluded from 1993/94 SES of Cambodia (Ministry of Planning, 1994; 2005a). Moreover, it is likely that inequality in the distribution of real per capita household consumption actually increased- only a slight reduction was seen in the proportion of the poor living below the poverty line in the bottom quintile in comparable areas between 1993/4 and 2004 (from 8.5% to 7%, respectively).

According to Sotharith (2005), the Royal Government of Cambodia, with the support from donors' community, adopted the Interim Poverty Reduction Strategy Paper (IPRSP) in 2001 and adopted the full Poverty Reduction Strategy Paper or National Poverty Reduction Strategy (NPRS) in 2002. The NPRS is supplemented to the Second Socio-Economic Development Plan (2001-2005), SEDP II. It has been realized that growth is necessary for poverty reduction. Faster growth will require policies that encourage macroeconomic stability, shift resources to more efficient sectors, and integrate with the global economy. The main poverty reduction strategies are based on three components, that is:

- long term, sustainable economic growth at an annual rate of 6-7%
- equitable distribution of the fruits of economic growth between the haves and the have-nots, between urban and rural areas and between male and female
- sustainable management and utilization of environment and natural resources.

Based on the above broad strategies, the Government has formulated the following policy response to poverty: promoting opportunities, creating security, strengthening capabilities and generating empowerment.

In the urban areas, the first significant step towards triggering community-based urban poverty reduction from 1995 to 1999 was the development of some basic level of community organization through savings mobilization, and the setting up of a federal structure among such community organizations. The second was the implementation of small-scale housing upgrading, and the organization of a few successful voluntary relocation programmes outside the city. The two main civic organizations representing the urban poor (among a dozen or so smaller NGOs), the Solidarity and Urban Poor Federation (SUPF) and the Urban Sector Group (USG), have organized about 180 squatter settlements in total, federated them with other communities and significantly empowered many of them in the process.

From 1996 onwards, a few high-level municipal officials collaborated with a UN-Habitat project and various Community-Based Organizations (CBO) and NGOs to improve the living condition of the urban poor through a series of community-based in-situ upgrading projects. In 1999, the Asian Coalition for Housing Rights (ACHR), SUPF and the Municipality of Phnom Penh set up the Urban Poor Development Fund (UPDF) as a credit institution for the urban poor. In doing so, the Municipality had begun to recognize the potential of many poor communities to help solve their own problems of low income and sub-standard living conditions.

Urban Poverty Reduction Strategy adopted in 1999 aims at:

- Improving access to basic services for the urban poor—by securing affordable land and housing, enabling the delivery of physical infrastructure (water supply, drainage, roads, sanitation, electricity, transport, solid waste collection), of social infrastructure (education, health care, family planning) and the implementation of disaster management (against fire and floods);
- Enhancing local economic potential (especially for women)—by providing education, vocational and business skills, credit and savings, industrial

- employment, marketing information, and space for small businesses and marketing; and
- Strengthening participatory urban governance mechanism—by facilitating community organization and leadership, setting community development management committees, creating land and housing policies for the urban poor, simplifying procedures for government services, eliminating corruption and securing tenure.

Warr & McClean (2008) state that recent poverty reduction in Cambodia was achieved under the *Triangular Strategy*, the National Poverty Reduction Strategy and the Socio-Economic Development Plan. From 2004 until 2009, the political platform of the present Royal Government of Cambodia for growth and development will be lead by the *Rectangular Strategy for Growth, Employment, Equity and Efficiency 2004-2009*. This Strategy can be visualised as 4 interlocking rectangles: (i) good governance; (ii) implementation environment; (iii) growth in productivity, infrastructure and capacity; and (iv) improvements in social sectors, gender equity and population growth.

The Socio-Economic Development Programme 2001-2005, the Cambodia National Poverty Reduction Strategy 2003-2005, and the various policies, strategies, plans and other important reform programmes, all of which have been formulated through broad consultation with all national and international stakeholders. The resulting comprehensive agenda is ultimately aimed at improving and building capacity of public institutions, strengthening good governance, and modernizing national economic infrastructure, with the objective of enhancing economic growth, generating employment for all citizens, ensuring social equity, enhancing efficiency of the public sector and protecting the nation's natural resources and cultural heritage; this is crucial for promoting sustainable development and poverty reduction.

3.8 Laos

The poverty incidence in Lao PDR has declined from 48% in 1990 to 39% in 1997, and further to 32% in 2002/2003 (Warr & McClean2008). In 2000-2001, 304,100 households were classified as poor but by 2005, 137,500 households had graduated from poverty. The depth of poverty also decreased in the 1990s- from 12% to 8% in 2003, as did the proportion of the poor in the national consumption. Inequality, as measured through the Gini coefficient, has increased from 28.6 in 1992 to 35.7 in 1997. This result indicates that a significant proportion of the population has not enjoyed the benefits of economic growth. Recent signs indicate that inequality may be beginning to decrease because recent economic growth has been more equitable and pro-poor.

Disparities exist in Lao PDR between urban and rural households, especially those living in remote areas. The urban poverty rate was 19.7% in 2002/2003 compared to the rate in rural areas of 37.6%, although the inequality between households was slightly greater in urban areas. The highland areas of Lao PDR exhibit more poverty, worse health indicators and fewer services available. These areas are more remote, education level is lower, land is less productive and land pressure is increasing. Ethnic minorities are also more likely to be poor, as linguistic problems in health care delivery and education present problems for access. Women are also more likely to be poor due to their lower literacy rates and lower school completion rates.

The government has finalized the 6th five-year National Socio-Economic Development Plan (NSED 2006-2010), which integrates within its contents the National Growth and Poverty Eradication Strategy. The National Growth and Poverty Eradication Strategy is seen as the main vehicle for implementation of activities to achieve poverty reduction. The strategy identified four priority sectors: agriculture and forestry; education; health; and infrastructure, with complementary actions in several supporting sectors (including industry, mining, tourism, and trade). Cross-sectoral priorities (such as gender, the environment, and governance) were also defined. The strategy has also identified and targeted the 47 poorest districts and another 25 poor districts spread all over the country for interventions to reduce poverty.

3.9 Myanmar

According to Warr & McClean (2008), the proportion of the population who are considered poor by national standards was 32.9% in 2005. Large differences exist within the country. Seventy three percent of the population is poor in Chin State, followed by Shan East (52%) and Shan North (51%). The lowest poverty headcount indices are encountered in Kayah (12%), Yangon (15%) and Mon (22%). The poorest 20% of the population represents 12.2% of national consumption. It appears that poverty is increasing if the above poverty rate is compared to the findings of the Household Income and Expenditure Survey conducted in 2001, which estimated that 26.6% of the population was living below the poverty line, 20.7% of the urban population and 28.4% in rural areas. The notion that poverty is worsening is supported by data from 1997 and 2001. The results of the 1997 household survey showed a poverty rate of 23.9% in urban areas and 22.4% in rural areas. The urban poor tend to be concentrated in peri-urban locations lacking proximity to jobs and good services, while the more severe cases of poverty are reported in border regions. The situation is likely to be worse now in the aftermath of Typhoon Nargis.

The plan for development is contained in the government's *National Development Plans*, which aim to accelerate growth, achieve equitable and balanced development and to reduce the socio-economic development gap between rural and urban areas of the country. The three National Development Programmes are: (i) Border Area Development Programme; (ii) Plan for 24 Special Development Zones; and (iii) Integrated Rural Development Plan. The National Development Plans are being operationalised as a series of short-term five-year plans and various sectoral plans, such as:

- The Rural Health Development Scheme
- National Health Plan
- Myanmar Education For All National Action Plan (EFA-NAP) 2003-2015

Under the Integrated Rural Development Plan, rural roads are being constructed, safe water made available, schools upgraded, rural health care improved, and economic growth in rural areas promoted. Under the National Health Plan, health programmes, such as the National AIDS Control Programme, National Strategic Plan for Expansion and Upgrading of HIV/AIDS Activities in Myanmar, National Strategic Plan for Scaling Up HIV Prevention and Control in Myanmar, National Malaria Control Programme, National Tuberculosis Programme, Women and Child Health Development Project, community-based health activities, improvement of environmental health, rural health development scheme, primary health care programme and reproductive health programme are being implemented.

4. Conclusion: What are the best practices and lessons to be shared?

We have already summarised the three possible explanations of the economic success of East Asia as offered in the EAM, which are the non-interference of the state and the force of the free market, the role of government interventions by extensively and selectively promoting individual sectors, and the 'Market-Friendly View' where the governments need to do less in the areas where the markets work and to do more in the areas where there were market failures. The last explanation involves the attainment of good basic economic fundamentals, the selective intervention, and the existence of good institutions. Together with sound macroeconomic policies, these are the ingredients for ensuring good economic growth.

However, for poverty reduction, growth is a necessary but not sufficient ingredient. One of the most important programmes being implemented in all these countries for poverty eradication involve human capital development through the

provision of education and training to enable the poor to gain productive employment. In order for this to be effective it must be implemented in such a way that it would have the greatest coverage and reach even those in remote areas. This drive in human resource development must also be supplemented by health measures to ensure that the people are healthy and alert to be able to absorb the knowledge imparted to them.

One of the most basic approaches to eliminating poverty is through increasing employment opportunities and thereby raising household incomes. The maxim here is that the poor must be taught to fish and not just be given the fish, unless there are unable to fish because they are physically and/or mentally challenged. Hence, jobs must be created in tandem with the generation of more knowledgeable, educated and trained labour force. In many countries, these are done through labour-intensive export-oriented manufacturing, often involving foreign direct investment.

Since poverty is almost always more of a rural phenomenon, then it is imperative that jobs be created in this sector to meet the demand as well as to stem out the flow into the urban sector and thus worsening urban poverty. In many countries, especially those with high density of population, poverty in the rural areas is often due to the uneconomic size of landholdings. In cases where it is possible to replicate, the Malaysian FELDA has been successful in eradicating poverty, and in fact making these settlers rather rich, despite it often been criticised as a costly project.

Since each government's capacity is limited, then the role of non-governmental organisations (NGOs) in each of these countries in poverty eradication is greatly welcomed. In Malaysia, NGOs like Amanah Ikhtiar Malaysia (AIM), an NGO patterned on the Grameen Bank concept, to provide micro-credit to the poor has been rather successful and has also spread their wings to help both Indonesia and Timor Leste.

It must be remembered that there must be serious commitment on the part of the policy-makers and the people who implement these policies in order for them to be effective. Moreover, pro-poor growth alone is not adequate for poverty eradication. There must also be effective redistributive measures in order to enhance the speed of poverty reduction. High inequality or relative poverty is an active ingredient for political and social instability and non-cohesiveness. As such, efforts must not only focus in reducing absolute poverty but also improve the sharing of the economic pie.

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End Notes:

¹ This figure was sourced from <http://www.indexmundi.com/burma/>

² Good basic fundamentals include stable macroeconomy, high human capital, effective and secure financial systems, limiting price distortions, openness to foreign technology, and good agricultural development policies. Selective interventions include export push, financial repression, directed credit, and selective promotion. And good institutions include technocratic insulation, high-quality civil service, and existence of monitoring facilities.

³ The information explaining the trends in some of these countries has been summarized from Ragayah 2005a.

⁴ Bhalla and Kharas (1992: 77) explained that the quality of human capital index was derived using a comprehensive equation for 1973, with the determinants included being age, sex, years of schooling, sectoral occupation and hours worked. The equation was used to predict the earnings profile for 1987. Differences between the predicted and actual earnings profile reflect the improvement of labor.

⁵ Through the implementation of "*Operasi Isi Penuh*" (Full Employment Operation) that raised the public sector workforce from 398,000 in 1970 to 804,000 in 1983.

⁶ For the first half of the Eighth Malaysia Plan, the income eligibility criterion for assistance is set at RM1200 and below per month per household (Malaysia 2001a).

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For Details, Please Contact:

Puan Norinah Mohd. Ali
Pegawai Penyelidik Sosial
Institut Kajian Malaysia & Antarabangsa (IKMAS)
Universiti Kebangsaan Malaysia
43600 Bangi, Selangor
Tel : 603-89215487 / 4169
Fax : 603-89261022
E-Mail: nira@ukm.my