Poverty, Inequality, and Inclusive Growth in Asia

Measurement, Policy Issues, and Country Studies
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Measurement, Policy Issues, and Country Studies

Edited by

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Foreword

The single biggest policy challenge facing Asia is how to sustain rapid economic growth that reduces poverty and is socially inclusive and environmentally sustainable. The challenges—and opportunities—are all the greater given rapid population growth in much of the region, the need to rebalance growth in light of the global financial crisis, and the multiple challenges of responding to climate change. This timely book brings together some of the latest research and findings on poverty reduction, inequality, and conceptual and policy issues of inclusive growth in Asia.

The book highlights Asia’s remarkable economic achievements. Between 1990 and 2008, the region’s per capita gross domestic product (GDP) increased almost three-fold, expanding 5.7% a year.\(^1\) Growth was most pronounced in East Asia, at over 8% a year, driven largely by the People’s Republic of China (PRC). It was also solid in many countries in Southeast Asia—where the shock of the 1997/98 financial crisis was particularly strong—and, more recently, in India. But per capita GDP growth was nowhere near as robust elsewhere. The economy of Central and West Asia grew just 1.3% annually over 1990–2008, and the Pacific only 0.3%.

In much of Asia, rapid growth has improved the livelihoods of vast numbers of people. The percentage of people living below the $1.25-a-day poverty line\(^2\) fell from 52.3% in 1990 to 27.1% in 2005. The poverty reduction was the largest in the PRC, where it fell from 60.2% in 1990 to 15.9% in 2005, but it was also significant in many other countries.

But the region still faces tremendous challenges in eradicating poverty. It remains home to two-thirds of the world’s poor: 1.8 billion people living on less than $2 a day, with 903 million struggling on less than $1.25 a day. Analysis of the Asian Development Bank (ADB) suggests that the fallout from recent crises—first, soaring energy and food crises, followed by the slump in the global economy and financial markets—may have prevented tens of millions of Asians from escaping poverty. Moreover, many Asians live just above the poverty line and are therefore highly vulnerable to economic and other shocks that could easily tip them back into poverty.

Equally disturbing is the fact that, despite decades of strong growth, suffering remains high on other planes too, as shown by a number of key social indicators. Malnutrition among children under five years of age is worse in Asia than in sub-Saharan Africa. More than half of Asians live without basic sanitation and the region is still home to the largest number of people infected with tuberculosis. Women and children—already disproportionately represented among the poor and vulnerable—bear the brunt: 41% of all deaths of children under five years, 44% of maternal deaths, and 56% of newborn baby deaths occur in this region.

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1. Measured in 2005 purchasing power parity and weighted by population.
2. Based on 2005 purchasing power parity.
Rising inequality, in both income and non-income dimensions, is an emerging and important concern. The book shows that a large number of developing Asian countries have seen their Gini coefficient—a measure of income inequality—increase in recent decades. Unequal access to basic social services such as education and health is also persistently high, exacerbated by income inequality. In part, as the book explains, rising inequality could reflect the fact that economic development and structural transformation are likely to entail processes that increase inequality. But much of it is due to market and policy failures, governance and institutional weaknesses, and social exclusion.

All these suggest that the benefits of Asia’s rapid economic growth need to be shared more widely. More and more developing Asian countries are therefore embracing the concept of inclusive growth, and exploring ways and policy options to distribute more equitably the fruits of economic expansion. ADB, in its recently adopted long-term strategic framework, Strategy 2020, vowed to focus on inclusive economic growth, environmentally sustainable growth, and regional integration as three critical strategic agendas in supporting its developing member countries in Asia and the Pacific in the coming decade.

This book brings together the findings of recent research on inclusive growth carried out by ADB staff and their collaborators. It presents a conceptual framework for inclusive growth, provides measures of poverty and inequality in Asia, examines policy options, and looks at country experiences. In this book, inclusive growth is defined as “growth coupled with equality of opportunity”, with three policy pillars: creating productive employment and economic opportunities through high, efficient, and sustained economic growth; promoting equal access to the opportunities by investing in human capacity and leveling the playing field; and improving social safety nets to mitigate risks and vulnerability and prevent extreme poverty. Hence, inclusive growth is about creating economic opportunity and making it accessible to all men and women.

It is hoped that the ideas and findings presented in this volume will provide a useful way forward for operationalizing an inclusive growth agenda. Such an agenda will enable developing Asian countries not only to ultimately eradicate extreme poverty, but also allow all members of society to participate in, contribute to, and benefit from economic growth on an equitable basis, regardless of individual circumstances. It is also hoped that this book will lead to more research on the critical subject of inclusive growth.

To support the deliberation and implementation of Strategy 2020, ADB staff and their collaborators in recent years carried out a series of studies under the inclusive growth research program of the Economics and Research Department (ERD). These aim to improve understanding of the concept of inclusive growth, its policy ingredients, and its importance in helping the region achieve the Millennium Development Goals and eradicate extreme poverty.

This volume presents a selection of papers arising from these studies in three parts. The first focuses on recent trends of income and non-income inequality and poverty in the region, and their underlying driving forces; the second examines selected policy issues concerning inclusive growth, including employment, access to public services, social protection, and governance and institutions. The third comprises six country studies with rich information on growth, poverty, and inequality dynamics and policy challenges.

The completion of this volume would not have been possible without contributions from numerous people. A total of 21 ADB staff and their research collaborators were involved in writing various chapters. The volume was copy-edited by Cherry Zafaralla, Eric Van Zant, and Anneli Lagman-Martin. The design, layout, and typesetting were carried out by Echie Cabañeros and Joe Mark Ganaban. Lilith Poot, Fatima de Ramos-Blanco, and Rina Sibal provided proofreading and administrative assistance at various stages.

Deep appreciation goes to Ifzal Ali, the former Chief Economist of ADB, who started and led ADB’s research program on inclusive growth during his time in ERD. Special thanks go to Jong-Wha Lee, Chief Economist of ADB, for his strong support and encouragement in preparing this volume. Thanks also go to Rana Hasan, Xianbin Yao, Jesus Felipe, Tun Lin, Hyun Son, Armin Bauer, and other ADB colleagues for useful discussions on conceptual issues related to inclusive growth.

It is hoped that the ideas and findings presented in the book will enrich the policy-making discourse in developing countries, and contribute to making the Asia and Pacific region more inclusive and free of poverty.
Finally, the views and opinions expressed in the book are those of the authors and do not necessarily reflect those of ADB or its Board of Governors or the governments they represent.

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