

IFAD STRATEGY FOR RURAL POVERTY REDUCTION IN ASIA AND THE PACIFIC

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INTRODUCTION

Poverty in Asia and the Pacific is a massive problem and one that will determine success or failure in achieving the primary Millennium Development Goal of halving poverty by the year 2015. More than two thirds of the world's poor live in Asia, with South Asia alone accounting for nearly half of these. IFAD's *Rural Poverty Report 2001* emphasized that the rural poor need: legally secure entitlements to assets, especially land and water, and technology, particularly to increase the output and yield of staple foods; opportunities to participate in decentralized resource management; and access to markets and microfinance. The report called for a pro-poor policy environment and the allocation of a greater volume of resources more effectively targeted at the poor. IFAD's strategic framework for 2002-2006 stresses that the rural poor, despite their increased vulnerability in a changing world, can overcome their poverty if enabled to do so. While focusing on these themes, the document also states that "poverty reduction – and indeed peace, stability and sustainable economic growth – can only be achieved by modifying the unequal power relations that contribute to generating poverty, and by making a conscious effort to enable historically excluded people to exercise their full potential."

Extending these broad guiding principles towards specific IFAD interventions in the Asia and the Pacific region, the present paper argues that the Fund can play a catalytic role by focusing on the less favoured areas – remote uplands and mountains, marginal coastal areas, and rainfed areas. It also suggests that the following are fundamental to the regional strategy to reduce rural poverty:

- changing unequal gender relations to increase women's ownership and control of assets, and their effective participation in community management affairs;
- enhancing the productivity of staple food in less favoured areas;
- reforming property and tenurial rights of various marginalized minorities and indigenous peoples¹; and
- expanding the capabilities of the poor and the vulnerable through greater access to self-help, local accumulation, new skills and technologies.

The present strategy paper is based on the Rural Poverty Assessment Report for Asia and the Pacific Region prepared by IFAD this year. The assessment itself was the result of the reflections and research work of the Fund's staff, with contributions from a number of its collaborators from the region. It was discussed at a Regional Reality Check Workshop held in the region in August 2001.

REGIONAL OVERVIEW

Asia and the Pacific, with a land area of 2 248 million hectares (ha), covers roughly 17% of the world's surface, but its population – at 3.2 billion in 1997 – accounts for roughly 55% of the world's total. Over the last three decades, the region has experienced an unprecedented economic transformation and a significant reduction in poverty. Although many parts of the region gained, others were bypassed by the "economic miracle". Further, the region has experienced huge changes in its demographics, environment and socio-political situation that will have significant implications for future economic growth and poverty reduction.

Economic trends. In the last three decades, regional economic growth has been high, with the gross domestic product (GDP) of East and South-East Asia growing by 7-10% annually and the economies of South Asia growing by 4-6%. Even accounting for population growth, the region achieved a significant rise in income: from 1975 to 1995, gross national income (GNI) per capita grew by 7.3% per annum in East Asia, 4.4% in South-East Asia and the Pacific, and 1.4% in South Asia.

¹ Indigenous peoples are variously known as ethnic minorities, tribal groups and scheduled tribes. The terms refer to social groups with a social and cultural identity that is distinct from the dominant groups in society and that makes them vulnerable to being disadvantaged in the development process. Variants of this definition are used by agencies such as the Asian Development Bank (AsDB) and the World Bank.

Studies show that agricultural growth contributed significantly to this economic change. The countries that grew earliest and fastest experienced rapid progress in agriculture in the first stages of growth. More importantly, this growth was broadly based and associated with egalitarian distribution of land. Economic growth in the region was also helped by stable macroeconomic policies, relatively open trade policies, and substantial investments in education and infrastructure.

From 1975 to 1995, poverty in East and South-East Asia was reduced by two thirds; in South Asia, where the economy grew more slowly and population growth had been more rapid, the incidence of poverty declined by one third. Despite this impressive achievement in poverty reduction, the Asia and the Pacific region still accounts for two thirds of the world's 1.2 billion poor. Also, poverty incidence as measured by the headcount ratio is higher in South Asia than in any other region of the world except sub-Saharan Africa.

Demographic trends. The relative size of the rural population in Asia and the Pacific declined from 75% in 1980 to 67% in 1996. Although urbanization has reduced the growth rate in rural areas, the rural population still exceeds 50% of the total population in two thirds of the region's countries, including the five largest ones – Bangladesh, China, India, Indonesia and Pakistan. From 1995 to 2010, the rate of urbanization in the region was projected to be 9% per annum, and the rural share of the total population in 2010 is estimated to drop to 56%. Increasing urbanization, combined with rapid income growth in the region, is expected to lead to a shift in diet from coarse grains to rice and then from rice to wheat, as well as increased consumption of livestock and dairy products, vegetables and fruits. This will create opportunities for agricultural productivity growth and processing.

The region continues to have strong gender inequalities, and women continue to suffer severe social deprivation. While the worldwide ratio of women to men is 106:100, in this region it is only 94:100. Computed from the biological trend, the estimate is that 74 million women are simply 'missing' in South Asia in comparison with the norm. This phenomenon is largely attributable to the sheer social and economic neglect of women.

Demographic transition in the region is also leading to changes in population structure. As fertility rates decline, the ratio of dependants to working-age people (aged 15-60) is decreasing. In East Asia, this factor is estimated to have accounted for a growth in real GDP per person of 1.7% per year from 1970 to 1990. If income inequality does not increase, this helps the poor, as each percentage point of growth normally produces at least a comparable fall in the incidence and severity of extreme poverty.

While the world's attention has justifiably been focused on the ravages of HIV/AIDS in Africa, the disease is spreading at a faster pace in Asia. Since 1994, the rate of HIV incidence has more than doubled in the region, and epidemiologists expect that Asia will be the next epicentre of the pandemic. HIV/AIDS is increasingly affecting the rural poor, and the threat of this disease – if not checked – will weaken the benefits of the above-mentioned demographic potential.

The environment and natural resource management. Of the world's 1 900 million ha of land affected by land degradation during the last 45 years, the largest area (about 550 million ha) is in the Asia and the Pacific region. The drier areas are particularly vulnerable, and it is estimated that 1 320 million people (39% of the region's population) live in areas prone to drought and desertification. Soil degradation (erosion, loss of fertility and structural decline) is a significant problem across all the region's agro-ecological zones.

The forest resource base is also being rapidly depleted. In the process of deforestation, vast expanses of naturally fragile land, particularly upper catchment areas, have been exposed to soil erosion. In the past half century, the rich biological resources of the region have been increasingly exploited, both for international trade and to sustain the growing population.

Demand for water will increase. While agriculture will continue to use most of the freshwater available, a major issue in many countries will be allocation of scarce water resources among competing sectors. The quality of freshwater is already one of the most pressing environmental problems in many parts of the region.

RURAL POVERTY IN THE REGION

Poverty is basically a rural problem in Asia and the Pacific. Although 80-90% of the poor live in rural areas in the major countries, rural poverty trends vary considerably from country to country. While East Asia and South-East Asia have made impressive progress in reducing rural poverty over the last three decades, progress has been limited in South Asia.

Growth in smallholder agriculture was a major factor in rural poverty reduction in Indonesia and Malaysia in 1970-80, as it had been in Japan, South Korea, and Taiwan in the 1950s-60s. In China, rural poverty declined during 1978-84 because of rising grain yields, a fairly equal redistribution of land among households, rising producer prices, better access to free markets and the phasing-in of market-determined prices for food grains. The decline in rural poverty in India was mainly due to the employment effects of the Green Revolution. In many countries of the region, this was followed by growth in labour-intensive manufacturing and services.

The region has provided the world with a shining example of what economic growth can do for human development. However, some emergent socio-economic issues seem to highlight the limitations of a poverty-reduction strategy that focuses on high economic growth alone. These limitations are proving to be major constraints in the reduction of rural poverty.

Growing income inequality. Recent studies show that income inequality is increasing in several Asian countries that had achieved both high economic growth rates and significant poverty reduction in the last three decades. This will have a major adverse impact on poverty-reduction efforts, because the greater the inequality, the less the poverty-reducing effect of growth. A major cause of this increasing inequality is the growing disparity in economic growth arising from concentration of economic activity in certain areas to the exclusion of others.

Economic vulnerability. Globalization and economic liberalization fuelled rapid economic growth, but they also increased vulnerability of these economies to external shocks. As the financial crisis of 1997/98 demonstrated, such shocks can lead to severe economic downturn and rapid reversal of gains in poverty reduction. And these losses are added to the vulnerability that the rural poor face, particularly when their livelihoods and assets are impacted by shocks and seasonality over which they have little control.

Persistence of poverty. While poverty may be a transitory phenomenon for many of the poor, it is a fairly permanent one for a significant proportion. Macroeconomic and trade-policy reforms can go a long way towards reversing current poverty trends, but there will still be enormous numbers of people left behind. Chronic poverty is characterized by remoteness, social exclusion and lack of access to education, often in areas deprived of infrastructure. Failure to identify this group of rural poor could result in resources being directed towards households suffering from temporary misfortune (errors of inclusion), while resources are denied to the long-term genuinely poor (errors of exclusion).

Characteristics of Rural Poverty in Asia and the Pacific

The rural poor in the region are characterized by a number of economic, demographic and social features, though the most common feature is landlessness or limited access to land. Poor rural households tend to have larger families, with higher dependency ratios, lower educational attainment and higher underemployment. The poor also lack basic amenities such as a piped water supply, sanitation and electricity. Their access to credit, inputs and technology is severely limited. Other constraints – including the lack of market information, business and negotiating experience and collective organization – deprive them of the power to interact on equal terms with other, generally larger, stronger market forces. Low levels of social and physical infrastructure increase their vulnerability to famine and disease, especially in mountainous and remote areas.

The region's less favoured areas are home to some 40% of the rural poor. They are rainfed farmers, forest dwellers, highlanders and indigenous peoples. Agricultural productivity is very low in upland areas, where ethnic minority groups are dominant. In China, for example, almost all the 65 million officially recognized income-poor live in remote, mountainous areas.

Who Are the Poor?

The significance of the rural poor in the region as a proportion of the total population varies by country and within countries. But for all countries, the major subgroups of rural poor are the landless, marginal farmers and tenants, indigenous peoples and scheduled castes, and internally displaced persons. Pastoralists and coastal fishermen are important subgroups of the rural poor in certain countries. Within the above subgroups, women are hit hard, and woman-headed households are particularly prone to poverty.

About 70% of the world's more than 250 million indigenous peoples live in Asia and the Pacific. The marginalization and poverty of many indigenous communities is closely linked to their being deprived of the ability to lead the kind of lives they value. Indigenous populations are also subject to extreme forms of exploitation by officials, traders and contractors. The violation of their civil rights has turned many areas into seats of long-standing insurgency. Another reason for the rising violence in forest areas is encroachment by migrants, who are taking over the land of indigenous peoples. The incidence of poverty is very high among indigenous people. For example, the tribal populations of India make up only about 8% of the total population, but they account for 40% of the internally displaced population, a major characteristic of poverty. In Viet Nam, the incidence of poverty among ethnic minorities – mostly indigenous peoples – ranges from 66 to 100%, far higher than the national average of 51%.

The severity of poverty is always higher for women, and they face greater hardship in lifting themselves and their children out of the poverty trap. Women generally have fewer employment opportunities, less occupational mobility, weaker skills and less access to training. Because of the greater task-specificity of their work and lower mobility, they face much sharper seasonal fluctuations in employment and earnings, and have less chance of finding employment during slack seasons. In addition, there is a considerable gender gap in decision-making authority at national and local levels, including decisions about the use and management of common-property resources, particularly village commons.

Another gender dimension of poverty concerns the intra-household allocation of food and resources. Growing empirical evidence suggests that it favours men over women. Disparities in nutritional intake and medical care favour boys and have a direct impact on the lower survival chances of girls in South Asia. This intra-household disparity correlates very closely with poverty levels.

IFAD EXPERIENCE IN THE REGION

Since 1978, IFAD has funded 153 investment projects in the region for a total commitment of about USD 2.4 billion. In addition, many grant-funded projects have been implemented in agricultural research, training, policy analysis and implementation support.

The Asia and the Pacific region has a number of strengths that create a window of opportunity for achieving significant reductions in rural poverty in the future. First, most of the region's population now lives in democratic regimes, and democracy offers people greater freedom and control over their lives. Most governments have adopted pro-poor policies that provide a conducive environment for effective IFAD-government collaboration. Decentralization, which has also taken root in many Asian countries, has the potential to increase the efficiency of the public sector, because local actors will be able to exert real pressure on the use of resources. The region also has a vibrant civil-society/non-governmental sector that is playing an increasingly crucial role both in advocacy and in service delivery to the rural poor, complementing the efforts of governments and donor agencies. Most countries of the region have adopted prudent macroeconomic policies and relatively open trade policies, and have invested seriously in education and infrastructure.

For its part, the Fund has acquired considerable experience in the design and implementation of projects and programmes for diverse groups such as women and indigenous peoples. It has also pioneered innovative partnerships with national and local governments, civil society and local communities in working with the rural poor. The following paragraphs summarize the critical constraints and opportunities in rural poverty reduction, with reference to specific IFAD experiences.

Access to Productive Resources

Common-property resources. In many areas of Asia, the rural poor rely heavily for their livelihood on common-property resources (CPRs) available through open-access systems. Examples include irrigation water, forests, rangelands, fisheries, wildlife and flora. In recent years, there has been an increasing trend towards devolution of control over natural resources from central governments to local communities. Devolution has emphasized the sustainability of resources to be used by all, rather than poverty reduction through the securing of livelihoods for the poor. A second problem with CPRs is that they are almost always open to any and every one, without regulation or restrictions. As a result, many rangelands, water-bodies and forests are heavily degraded or suboptimally used due to lack of or improper investment – either in infrastructure or yield enhancement.

IFAD has experimented with a range of approaches aimed at enhancing access of the poor to CPRs and to improving the productivity of these resources. Two important experiences concern the Oxbow Lakes Small-Scale Fishermen Project in Bangladesh and the Hills Leasehold Forestry and Forage Development Project in Nepal, where CPRs (lakes and degraded forests, respectively) were leased to the poorest people in surrounding villages. Both cases demonstrated that ‘social fencing’ can be effective in safeguarding the benefits of investments and that the sharing of income on the basis of labour contributions can preserve the principle of equity. In the Oxbow Lakes project, funded by IFAD and the Danish International Development Assistance, adequate investment support from the Fund allowed many formerly landless labourers and poor fishermen and -women to raise their incomes to the level of mid-level farmers in the community. Small fishponds leased to groups of women contributed both to income increases and enhancement of their overall status within the family and society. In the case of the Nepal project, fodder was grown on hill slopes, generating substantial livelihood benefits for the poor, including women.

Land. Security of land tenure – if properly implemented – provides incentives for long-term investment. This is corroborated by IFAD’s experience in many countries. In China, it was only when land was redistributed to the households that villagers began to change hillside use by planting tea on fallow land. The main success of the Orissa Tribal Development Project in India was the survey and land settlement of the *dongar* (hill) areas, which had been occupied without legal rights. The resulting sense of ownership was accompanied by a notable improvement in natural resource management, demonstrating that tribal populations are willing to replace *podu* (shifting cultivation) with agroforestry if the returns are perceived to be higher.

Land reform remains important to poverty reduction in Asia. It helps change village political structure by giving a greater voice to the poor and encourages them to get more involved in local self-governing institutions and in common management of local public goods. Moreover, local markets function more efficiently when the levelling effects of land reform improve competition and make it more difficult for rural elite to corner the market.

Support to land reform is essential; even market-assisted reform cannot function without deliberate policy interventions in favour of land purchases by the poorest households. Such intervention is justified not only on equity grounds, but also by the evidence that small farms are more efficient than large ones. Thus it is necessary to remove all policies that favour large farms (e.g. credit programmes that require land as collateral, inappropriate taxation and subsidy, and marketing policies favouring large farms) and to establish credit and rural-construction programmes targeted specifically at the small farms of the rural poor.

Sustainable Agricultural Technologies

Conventional technologies. Green-Revolution technology – based on high-yielding varieties of cereal crops, irrigation and chemical fertilizers – increased food-grain production in Asia in the 1970s-80s, mainly through productivity growth. By keeping food prices down and employment up, the technology contributed to rural poverty reduction in many countries of the region.

However, there has been little progress in developing appropriate technologies for less favoured areas such as drylands and marginal coastal, upland and mountainous areas. The Fund's projects in several Asian countries have attempted to introduce technological innovations that assist small and marginal farmers. For example, IFAD-funded research at the International Crops Research Institute for the Semi-Arid Tropics led to the development of a new variety, the world's first hybrid pigeon pea to be bred successfully for resource-poor conditions (ICPH8). The IFAD-supported Eastern India Rainfed Rice Project is making significant contributions by linking formal research to farmers' own methods and experiments in raising rice yields, in developing more robust rice varieties for rainfed conditions and in augmenting crop incomes. This is only a beginning. There is still broad scope in less favoured areas for promoting conventional technology.

Sustainable or regenerative agricultural technologies. Given the limitations of high-input agriculture in less favoured areas, sustainable or regenerative agriculture holds enormous promise for yield increases and environmental protection. In such systems, two- to threefold increases in yields have been achieved through community-wide adoption of resource-conserving technologies and practices. Regenerative technologies either conserve and improve existing on-farm resources (nutrients, water and soils) or introduce new elements (e.g. nitrogen-fixing crops, agroforestry, water-harvesting structures and new predators). A number of regenerative technologies are now available for upland and mountainous areas as well. IFAD is promoting some of these technologies in more recently formulated projects in India, Indonesia, Nepal and The Philippines.

Rural Non-Farm Employment

The non-farm sector is an important source of income for women, small farmers, landless workers and the poor living in rural towns. Microfinance is a major non-farm employment-generating instrument for reducing the vulnerability of the rural poor to shocks (economic crises, natural or man-made calamities, sickness or death in the family). Despite the rapid growth of the microfinance sector and the mobilization of larger amounts of savings and credit, the poor still have little or no access to the resources mobilized by the formal sector. By building up household assets, microfinance allows the poor to develop an important form of self-insurance against crisis. It is one of the main instruments used in IFAD-initiated projects to reduce rural poverty and empower the rural poor – women in particular.

The Fund's experience has demonstrated the positive impact of microfinance schemes on three important aspects of women's empowerment: involvement in income-generating activities, awareness of social and economic issues and, through these, contraceptive use. Microfinance schemes have also helped reduce the relative isolation of women, encouraging them to meet regularly not only to conduct savings and loan activities, but also to share information and discuss new ideas. Such schemes have been able to reach a significant proportion of particularly vulnerable women. An IFAD assessment of the impact of the financial crisis on the rural poor in Indonesia in 1997 showed that the voluntary savings of members of self-help groups, promoted through its microfinance programmes, had allowed them both to maintain consumption levels and to carry on economic activities in the face of a formal-sector credit squeeze. However, growing evidence indicates that these programmes may not have reached the extremely poor. Lack of access to land and a homestead was identified by an IFAD-sponsored study as the major factor in exclusion of the poorest.

Rural public works programmes are another non-farm employment-generating instrument for reducing poverty. In addition to building rural infrastructure, they strengthen fall-back options for the rural poor, particularly the landless, forced to rely on agricultural employment with long seasonal

spells of inactivity. If some of the poor are excluded from a credit scheme and are vulnerable to risk, these programmes serve a complementary role by mitigating the effects of income fluctuation. This is the approach adopted in China through a partnership of the Government, IFAD and the World Food Programme.

Developing countries in the region, particularly those with abundant labour in rural areas and relatively capital-intensive industry in urban areas, can learn from the Chinese experience. Their development of rural enterprise maintained sustainable growth of the rural economy and farmers' incomes and reduced rural poverty. This experience demonstrates the importance of institutional, price and market reforms, and other policies that diversify the agricultural sector and rural economy in order to promote farm income growth.

Globalization and Markets

The experience of East and South-East Asia over the last three decades has shown that globalization – when accompanied by appropriate and pro-poor domestic policies – can promote economic growth and poverty reduction. However, the Asian financial crisis of 1997 clearly demonstrated that globalization can also increase economic volatility, to which the poor are more vulnerable. Prudential financial regulation and other monetary policies are crucial to the avoidance of such crises, but institutions such as IFAD should work towards enhancing the resilience of the poor to face the effects of such crises in the future.

Although it is recognized that globalization, particularly trade liberalization, plays an important role in promoting economic prosperity, supply responses are conditioned by infrastructural support such as roads and communications. Globalization has not influenced the lives of the poor living in remote or inaccessible areas; in fact, it can erode many of the comparative advantages of such areas. For example, trade liberalization and the opening up of domestic markets to imports can erode the comparative advantage of mountain areas in the production of certain high-value commodities that can now be replaced by cheap imports. Lack of resources and skills prevent mountain and upland people from participating in – and gaining from – opportunities offered by globalization, which leads to their exclusion from the global economy. Concerted efforts are needed to build the capacity of people in this sphere. Emerging experience in some countries of the region demonstrates that community-based information and communications technologies can help these small producers obtain information on prices, innovative production methods and markets.

Building Coalitions of the Poor

The Oxbow Lakes project in Bangladesh and the hills leasehold project in Nepal are examples of successful redistribution of community assets to coalitions of the poor. In Nepal, marginal sectors of the community, families below the poverty line, women and deprived minority ethnic or tribal people are being helped to form groups, which are then given a 40-year lease to a designated patch of forest. This often amounts to a lease for life.

Bringing about change through these projects is not just a matter of enhancing individual capacity for action. It is also the result of facilitating *collective* action by the poor. It is sometimes necessary and productive to convince the well-off that they, too, would benefit from a transfer of resources to the poor. For example, the difficulties the well-off face in private fencing of CPRs (water bodies, forests) and thus in securing their investments, can be a powerful factor in persuading them to agree to a redistribution. There are projects in which both the poor and the rich have gained by agreeing on – and delivering – a strategy for redistribution. There are also examples in which the poor have benefited by uniting with some of the rich in a coalition aimed at raising incomes. Whatever options are available to the poor for enriching themselves by influencing institutions, the crucial issue is how these institutions – initially controlled by the rich, strong few – could be run in the interests of the majority, who are poor.

Participation of the poor in local, self-governing institutions helps build a sense of collective identity and social capital, and this may lead to empowerment. However, such a process is usually slow. A

coalition-building process often results in more rapid empowerment of the poor. If it is accepted that sustained economic betterment is essential to empowerment, complementarity between local self-governing organizations and self-help groups takes on added significance. As a result of economic betterment through self-managed activities, the poor or weaker strata of the population become better equipped to play a more active role in self-governing organizations. Furthermore, the fixed costs incurred in organizing the poor (meetings, awareness campaigns and dissemination of information) can be significantly reduced by promoting unions of self-help groups, thereby broadening membership and influence. Given the positive externalities among rural organizations, the government has an important promotional role to play.

IFAD STRATEGY FOR ASIA AND THE PACIFIC

Taking into account the enormity of the problem and IFAD's experience but its limited resources, the Fund must intervene in a niche area so as to play a catalytic role. Thus IFAD strategy for Asia and the Pacific envisages a focus on the less favoured areas. Within this geographical focus, the strategy will concentrate on women and marginalized minorities (indigenous peoples and other excluded groups). However, the deprivation of these marginalized groups could also be addressed in other areas through potential 'ripple effects'. In focusing on this niche area, the strategy intends to ensure complementarity with the poverty-reduction initiatives of governments, particularly for the landless, and with those of the World Bank and other donors in areas such as health, education and infrastructure. The Fund will also seek more substantive experience in peacemaking through development initiatives.

Development of Less Favoured Areas

In the past, development strategies in Asia have tended to concentrate on irrigated and high-potential areas with a view to expanding food supply, stimulating growth and reducing poverty. This strategy had impressive success in triggering the Green Revolution in many Asian countries. But it also resulted in the neglect of less favoured areas, where a large proportion of the rural poor live. Despite outmigration, the population in these areas has grown and this has not been matched by yield increases. As a result, the areas have experienced increasing poverty, accompanied by widespread degradation of natural resources (soil erosion, deforestation and loss of biodiversity) due to expansion of cropped areas.

This alone would be a valid justification for redirecting development resources to less favoured areas. The argument is further reinforced by the resulting highly favourable effect on production as well as the absence of a trade-off between poverty reduction and higher production. As household food security and malnutrition are still major concerns in these areas, technologies that stimulate increased productivity of staple foods must be more vigorously researched. IFAD will promote the development and dissemination of sustainable or regenerative agricultural technologies uniquely suited to the complex and diversified agricultural systems of less favoured areas.

Although their soils are marginal, the uplands of Asia offer huge opportunities for economic development on other fronts: as sources of water, power and biological diversity, valuable minerals and a wide variety of indigenous forest and agricultural products. Opportunities for investment include forestry and agroforestry, harvesting of medicinal plants and the environment-friendly production of high-value products such as organic foods, morels and fine wool. Similarly, the uplands and mountainous regions of Asia have some of the world's most pristine ecological settings, eminently suitable for ecotourism.

In the coming years, IFAD will work closely with the Global Mechanism and the Global Environment Facility in order to develop and implement programmes to combat the problems of land degradation. Such programmes will also empower the poor in upland areas to benefit financially from the environmental services they provide to the world at large (carbon sequestration, hydrological services and conservation of biodiversity). In collaboration with international research centres, implementation support will be provided to IFAD-funded projects in uplands and rainfed areas through research on technical and institutional innovations in agriculture and agroforestry.

Asian agriculture is likely to face a water squeeze in the near future. Water is being lost through diversion to industrial and domestic uses, higher evaporation rates and less stable rainfall patterns due to global warming. The Fund will support development of water-management techniques that can improve use efficiency and conservation technologies based on indigenous knowledge. In the hills and mountains, low-cost, gravity-fed technologies for sprinkler and drip irrigation will be promoted for horticultural development.

Time and time again, experience has shown that gains from agriculture, forestry and off-farm income-generating activities cannot be fully achieved – or sustained – in the absence of basic and appropriate rural infrastructure (feeder roads, bridges, water-management and water-conservation works and small-scale production plants). IFAD will continue to support the development of rural infrastructure, a thrust that will directly assist income-generating activities.

Recognizing the role of the non-farm economy in providing employment and income to the rural poor, the Fund will promote microenterprise and self-employment through microfinance schemes. It will also collaborate with the World Food Programme and governments in implementing rural public works programmes to benefit the poorer sectors of society unable to access credit programmes.

Based on its experience with a range of approaches to enhancing access of the poor to CPRs and arable land (ownership and security of tenancy), IFAD will promote innovative interventions to improve access to productive resources. In collaboration with civil society and the Popular Coalition to Eradicate Hunger and Poverty, the Fund will advocate placing the issue of redistributive land reform on the policy agendas of national governments.

The specificities of upland areas and their populations call for innovative implementation arrangements. In view of their remoteness and diversity, priority will be given to development and application of decentralized, participatory and iterative approaches to design and implementation. This will ensure both sensitivity to local conditions and increased beneficiary commitment, thus enhancing the sustainability of results.

Although the core elements will continue to be informed by the principles of environmentally sound development, every effort will be made to link the vast potential of upland areas to international and domestic markets. Just as essential as social concerns is the identification of marketable products and the introduction of suitable technologies to exploit their possibilities. Taken together, the two aspects will provide the basis for enhancing the capabilities and income of the rural poor on a sustainable basis.

Enhancing Women's Capabilities in order to Promote Social Transformation and Agricultural Development

The largest concentration of poverty in the region is in South Asia, and this subregion stands out for a startling inequality in gender relations as well. The extent to which IFAD and other international and national organizations are able to make an impact on poverty in Asia in the coming decades will depend on the extent to which they are able to alter gender relations. There is strong evidence to show that enhancement of women's role as agents of change is the key strategic policy for changing gender relations and rebuilding societies with greater social and economic justice. The effect of such a policy extends beyond the household or even the community of which women are a part. Development literature recognizes the close connection between the education of women and elimination of some of the worst expressions of poverty, e.g. high infant and child mortality and morbidity rates.

The impact of income on children's health depends not just on the level of income, itself, but also on the scope of women's decision-making role within the family and community. Yet when community decisions are made, it is only men's voices that are heard. This is so even in matrilineal communities: even if women own the land, community affairs are the monopoly of men.

Some countries have legal measures – interestingly also in South Asia – to enhance women's representation in village committees. IFAD's own experience has been that the representation of

women initially tends to be largely nominal, but that, over time, women do begin to exercise the powers to which they have gained access, including as heads of committees. As this occurs, many studies contain reports of less corruption in the use of public funds and of higher spending for family and child welfare, education activities, etc. Thus the enhancement of women's representation and decision-making role is a strategy that will be promoted more proactively by IFAD in the future.

In seeking to transform gender relations as a way of building a strong base of norms that can promote poverty reduction, it is important to identify interventions that can have ripple effects. Microfinance is a prime example of a strategic gender intervention that can generate effects across many areas of women's existence, and their access to rural financial services is an important innovation with which IFAD has long been associated. It should be particularly noted that the transformational role of microfinance has occurred in many traditional cultures endorsing women's seclusion and lack of property. The Fund will continue to work with governments and other stakeholders in modifying the policy environment in order to expand outreach to poor women.

In formulating strategies for reducing gender inequality, IFAD will of course take into account the enormous disparities within both the three subregions (South, South-East and East Asia) and the individual countries.

Reducing Poverty by Enhancing the Capabilities of Indigenous Peoples and Other Marginalised Groups

As outlined previously, the indigenous peoples inhabiting upland and mountain areas are afflicted by the most intractable and endemic poverty. The economic and political marginalization of these regions has meant that little attention has been paid to the needs of their poor populations. There is a growing awareness among the public and specialists that the historical marginality of these areas may largely be a function of ignorance as to the magnitude of their true worth. The implications of the steadily intensifying loss of their biodiversity and the cost of upland, hill-area and mountain degradation in global terms (rainfall variation, flooding and air quality) are only just beginning to be appreciated.

Among the most important assets of upland areas are their forests and biological diversity. Indigenous peoples have always possessed an intimate knowledge of these rich resources, but their stewardship of biodiversity and their skills and interest in managing this resource have seldom been recognized. If poverty reduction is IFAD's goal, then there is an urgent need to make the forest dwellers co-owners of the forests and, as mentioned, to reward them for the environmental services they provide.

In the region, marginalization is linked to the lack of access to land and land-use rights, resulting in income inequality and social heterogeneity that are the causes of many problems in rural areas. Based on its experience, IFAD will promote programmes to enhance access of the landless and marginal farmers to productive resources, such as land, water and forests. It will also promote self-employment through micro-finance schemes, and wage employment through rural public works programmes to benefit the landless and marginal farmers.

Building Coalitions of the Poor

The Fund's experience in Bangladesh, India and Nepal demonstrates that it is possible to create trust where strong traditions of collective action did not exist before. This achievement depends on secure, long-term user rights to resources and incentives to cooperate, in the form of the substantially higher incomes that could result. In designing and implementing projects involving CPRs, IFAD will promote systems of equity in access or income and cost, including labour-sharing, along with monitoring by group members and democratic rotation of leadership.

In order to help stem the drain of savings from rural to urban areas, IFAD will promote local financial institutions to retain deposits and credit locally. It will also work with governments to institute systems of decentralization of government revenues from local natural resources. The Fund will

continue to mobilize the poor's participation in projects and programmes so as to prevent the elite from monopolizing benefits.

Enhancing Peace for Poverty Reduction

In a continent of rising inequality and persistent poverty in a significant number of countries and rural households, forms of exploitation and social injustice will continue to thrive, eventually leading to conflict and insurgencies. Alarming, such conflicts are already to be found in many Asian countries. The breakdown of the social capital of communities and the blatant disregard of human lives on both sides of warring groups are matters of great concern in many IFAD project areas.

Attempts have been made to resolve some of these insurgencies through 'peace talks'. But these can yield results only if they deal with the fundamental socio-economic conditions of economic exploitation and social exclusion that underlie the insurgencies. And peace cannot be simply the absence of conflict or the elimination of fear of physical violence. That would be a 'negative' peace. To be 'positive', peacemaking must eventually eliminate the structures that support unequal capability fulfilment within or between countries and redress the wrongs done to those who suffer from unequal power relations, including gender relations. Peacemaking must include the promotion of social justice and human rights. If the Millennium Development Goals are to be a reality by 2015 in Asia – the continent with overwhelming numbers of the poor – then a rights-based approach to development must become one of the distinctive features of an IFAD pro-poor strategy.

Implementation Modalities

The credibility of the regional strategy for Asia and the Pacific will depend on a lending programme that consistently provides creative ideas and space to all stakeholders – particularly the intended beneficiary groups – to orchestrate, explore and decide on an appropriate people-centred approach. Only then will governments, donors, non-governmental organizations (NGOs) and civil society recognize the value of IFAD's innovations and willingly adopt them as their own policies and guiding principles. In a changing and more challenging world, there will also be a need to enhance the proficiency of the Fund's staff, particularly in terms of better negotiation, communication and strategic-management skills.

New implementation focus. In the management of the lending programme, there will be a shift of emphasis from the conventional approach of 'managing problem projects' to a keener search for and support of projects and programmes with the strategic potential to influence policies and generate ripple effects. More concrete steps will be taken to improve the access of the rural poor to assets, technologies and markets, and to promote their coalitions and their decision-making role within projects. This will be done within the overarching objective of enhancing gender relations and of improving the coping strategies of the poor to overcome their vulnerability. In IFAD-funded projects, resources will be earmarked to undertake activities to mainstream gender.

Partnership-building. Strategic partnerships will be maintained and nurtured with a view to improving the influence of IFAD initiatives. The search for new partnerships and innovative approaches in establishing partnerships will be intensified. Work will begin on establishing a strong network for sharing experiences and ideas on programmes for women, indigenous peoples and upland areas through IFAD's technical assistance grant programme. New approaches to the use of grants will be explored with a view to launching innovative research and development initiatives that will help IFAD play a more structured policy-advocacy role – for example promoting local champions and supporting regional and international mentors (on thematic work having policy implications).

Facilitating sustainable policy change is often a long, demanding and at times delicate process. Persistence will be required and at intensity levels that are well beyond IFAD's existing capacity. However, when partnerships are built on the basis of shared values, the task becomes far easier and much more motivating for staff. For this to happen, the Fund will need a flexible field presence that is built up gradually, innovatively and cost-effectively. The support for this field presence will come

from the local and regional mentors and from a better use of information and communications technologies (for example the holding of virtual team meetings).

Policy dialogue. IFAD will work closely with governments to replicate and scale up projects and programmes that have demonstrated impact. This is the essence of its catalytic role: it will continue to influence policy using its country assistance programmes as triggers. Better knowledge and improved documentation of impact will be used more systematically to convince governments of the need for pro-poor growth policies. Multi-stakeholder workshops will be held to disseminate the findings of project and country portfolio evaluations and other studies, with the objective of sensitizing policy makers to needed policy and institutional reforms.

Collaboration with other donors will be promoted, including the UN system, in order to increase the Fund's inputs into poverty-reduction strategy paper (PRSP) preparation. Where a PRSP process is ongoing, IFAD will participate actively to ensure that the needs and aspirations of its target groups and its own experience are incorporated. This mainstreaming process will be done through IFAD-supported multi-stakeholder workshops, like the one currently being planned for Mongolia. The Fund will also work through such partners as NGOs, as was successfully done for the recent PRSP for Nepal. If a country is not involved in a PRSP process, IFAD will work directly with the government. In all such initiatives, the Fund will inform and consult AsDB, the United Nations Development Programme (UNDP) and the World Bank.

Knowledge management. Networking and knowledge-sharing among IFAD projects initiated under the first phase of the Electronic Networking for Rural Asia/Pacific (ENRAP) would be enhanced through a second phase to be submitted for approval in 2002. The culture of knowledge-sharing will be strengthened through subregional workshops and exchange visits that will also involve grass-roots beneficiaries. More time will be devoted to collaboration with grant partners and cooperating institutions, encouraging the latter to participate more frequently in supervision missions and to prepare case studies on promising technologies, best practices and policy initiatives developed under various projects. Attention will also be accorded to documenting and disseminating innovative approaches to project design. Under a resident scholar scheme to be experimented in 2002, renowned specialists who have worked with or in IFAD will be asked to document their experiences of the ways in which IFAD has influenced policies at the government level. IFAD will promote South-South cooperation to encourage countries to learn from each other's experiences in rural poverty reduction.

Impact assessment. The focus will be on enhancing impact orientation throughout the project-cycle. Impact assessment will be planned more strategically, in line with the policy objectives pursued. The Fund will refine the innovative methods of participatory impact-monitoring assessment currently under development, with the aim of identifying appropriate indicators for measuring project impact. Efforts will be made to identify these common indicators in terms of the contribution of IFAD-supported interventions to achieving the Millennium Development Goals. Far more attention will be paid to follow-up missions to ensure that supervision recommendations are effectively implemented to improve project impact. IFAD will work with governments to enhance their capacity to develop and use appropriate indicators to monitor and evaluate the impact of projects in reducing rural poverty.