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Poverty in Thailand: Causes and solutions

Nuntaporn Artontammakun

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POVERTY IN THAILAND
CAUSES AND SOLUTIONS

A Project
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Public Administration

by
Nuntaporn Artontammakun
June 2001
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ABSTRACT

Many countries have established programs to address the problem of persistent and concentrated poverty. Poverty has been reduced substantially, but most poverty reducing programs have raised other problems out of poverty.

This paper outlines the principal causes of poverty in an emerging nations—Thailand. It presents strategy for reducing the level of poverty those ever further.
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CHAPTER ONE
INTRODUCTION

Poverty is an unacceptable human condition. It is not immutable; public policy and action can, and must, eliminate poverty. This is what economic development is supposed to achieve. Poverty reduction is to reach a majority of the developing world.

Poor people must be recognized and must become part of the solution rather than regarded only as the problem.

This paper discusses the causes and strategies of poverty reduction, including the case of the countries that have tried to solve the poverty problem.

In the first Chapter, we discuss the nature of poverty, what we mean by poverty, and how we measure poverty. We also discuss how things such as growth, inequality, culture, are related to the poverty.

After an understanding of the poverty, we then look into its causes, which include family size, gender, labor wage and participation. Moreover we explain how nutrition relates to poverty, why income variability has an affect on poverty, and how the location of the poor is related to poverty.
After we learn about the causes of poverty, we then identify ways to reduce poverty. Many countries have tried to solve this problem, but no one seems successful. Somehow, the strategies must depend on the condition of that country and the cooperation between the government and private sector.

In the following two chapters, we then summarize poverty reduction efforts in East Asia, especially in Thailand.

Finally, the last chapter contains my conclusions and recommendations. Poverty is not about the poor alone. When we talk about the solution of this problem, all factors have to be examined.
CHAPTER TWO
THE NATURE OF POVERTY

Unseen on the American corporate television that has spread around the globe are more than 1.4 billion of our fellow human beings who live in abject poverty. They are the voiceless poor. They are on every continent, in every country. While the industrialized, digitized world pays attention to other things, they are increasing in number in many places, rather than decreasing. Their lot is one of insufficient work, income, food, shelter, clothing, education, medical care, transportation, sanitation, and access to communications, legal counsel, and political power.

Poverty is multidimensional. It is not just a lack of money, although that is the common thread. It is all the implications of that lack of money in relation to satisfying human needs. If nearly one-fourth of humanity is in dire need of urgent help concerning their basic survival, something must be done to educate people about their plight.

To solve the problem of poverty, we must recognize its interdependence. What we believe to be the dimensions...
and causes of poverty will have a determining influence on the policies we pursue.

Definitions of Poverty

It is essential to review what we mean by "poverty". Poverty definitions serve two functions in the public policy area. First, such definitions allow policy makers to identify the poor: to determine the appropriate allocation of antipoverty funds across regions or individuals. Second, definitions of poverty also help policy makers design and evaluate programs that help the poor.

In the Human Development Report by the United Nations, poverty means that opportunities and choices most basic to human development are denied: to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-respect and the respect of others. From a human development perspective, poverty means more than the lack of what is necessary for material well-being.

According to the Asian Development Bank, poverty is a deprivation of the essential assets and opportunities
to which every human being is entitled, especially health care and education (ADB, 1999).

For policy-makers, the poverty of choices and opportunities is often more relevant than the poverty of income. It focuses on the causes of poverty and leads directly to strategies of empowerment and other actions to enhance opportunities for everyone. Recognizing the poverty of choices and opportunities implies that poverty must be addressed in all its dimensions, not income alone (United Nations, 2000).

Poor families have the right to be rewarded for their labors with at least basic survival and a minimum security from the shocks of life. But even if provided with income and basic services, individuals and societies will remain in poverty if they are not empowered to make decisions affecting their lives.

Poverty has many faces, changing through time and space, and it has been described in many ways. But one wish all poor people share is the desire to escape this debilitating condition. Poverty has to be defined, measured, and studied—even lived—to be understood. Since it has many dimensions, it must be observed from a variety of perspectives, such as education, health care,
nutrition, water and sanitation, and lack of access to
sociopolitical power—as well as from the traditional
indicators of financial vulnerability—income, wages,
unemployment (World Bank, 2000).

Growth, Inequality and Poverty

It is useful to begin a discussion of poverty with a
broader view of income distribution. Inequality means
different things to different people: whether inequality
should encapsulate ethical concepts such as the
desirability of a particular system of rewards or simply
means differences in income is the subject of much
debate. Inequality is often studied as part of broader
analyses covering poverty. It is a broader concept than
poverty in that it is defined over the whole
distribution, not only the censored distribution of
individuals or households below a certain poverty line
(World Bank 2000).

Economic development, broadly defined, is about
improving human “well-being.” It is usually a drawn out
and complex process associated with deep structural and
institutional changes in the economy and society.
Development is determined largely by local conditions,
including geography, institutions, political and social integration, social capability, and inequality. Underdevelopment—the other side of development—usually means that a substantial proportion of the population is in a state of unacceptably inadequate well-being or (absolute) poverty.

The links between poverty, economic growth, and income distribution have been studied quite extensively in the recently published literature on economic development. Absolute poverty can be alleviated if at least two conditions are met. First, economic growth occurs—or the mean income rises—on a sustained basis. Second, economic growth is either neutral to income distribution or reduces income inequality. Poverty cannot be reduced if economic growth does not occur. Poverty tends to change in the same direction as the mean income. In fact, persistent poverty of a substantial portion of the population can dampen the prospects for economic growth. Also, the initial distribution of income (and wealth) can greatly affect the prospects for growth and alleviation of mass poverty.

The pattern and stability of economic growth also matter in reducing poverty. The capital-intensive,
import-substituting, and urban-biased growth process, induced by policies on pricing, trade, and public expenditure, has not been good for alleviating poverty. Agricultural growth, with low concentration of land and labor-intensive technologies, is almost always good for poverty reduction. Finally, sharp drops in growth may increase poverty; even when growth resumes, poverty may not improve because inequality may have increased by the crisis (IMF, 2000).

Culture and Poverty

All human beings are more influenced by culture than anything else when it comes to their values, behavior, and life situation. Therefore any approaches to changing the conditions of people in poverty must take into account the culture of the people affected if they have any hope of coming up with realistic options for change.

The World Bank is an international development agency that ostensibly has the interests of the poor in mind, although the nature of its commitment and the effectiveness of its approach have been strongly criticized of late, especially in protests during recent meetings in Seattle, Washington, DC, Prague, and Darvo.
It engages in what it calls culture-poverty initiatives for two reasons:

1. Culture influences what is valued in a society; in particular it shapes the 'ends' of development that are valuable to the poor.

2. Culture influences how individuals, societies, and formal and informal institutions respond to developmental changes, so knowledge of culture(s) is a meaning to effective poverty reduction (World Bank, 2000).

Measurement of Poverty

How do we classify who is poor and who is not? How is poverty measured and where does it exist?

Poverty is hard to measure for a number of reasons. First it is multidimensional, reflecting deprivation in both income and non-income dimensions (e.g. health care, education, transportation). Secondly, it is dynamic, since the dimensions of poverty are subject to volatile fluctuations. Therefore, no single statistic or group of poverty indicators exists on which there is general consensus. Furthermore, there is no universal agreement on what is an acceptably minimum or basic living
standard. As a result there is no clear benchmark to indicate when people are escaping poverty, and thus the results of poverty programs are subject to ambiguous interpretations, and may not be comparable from place to place.

Finally, the size and demographic composition of the groups affected differ widely.

Due to convenience in measurement and analysis, certain aspects of poverty have been focused in order to make comparisons between individuals, families, and countries over time. The most commonly used indicators relate to income and consumption level, supplemented by information on health and education (IMF, 2000).

The existing official measurements for determining poverty—individual or family income—have been widely criticized. But countries are also ranked that way. The World Bank uses a ranking system based on the gross national product of a country divided by its population, or per capita gross national product. According to this system, in 1991 there are 40 countries considered "poor," meaning they have an average annual per capita GNP of less than 350 U.S. dollars. Most of these countries are in Africa, although there are a few Asian ones.
The economic distinctions used by the World Bank are:

- Low income countries: per capita GNP of $785 or less.
- Lower-middle income countries: per capita GNP between $786 and $3115.
- Upper-middle income countries: per capita GNP between $3116 and $9635.
- High-income countries: per capita GNP over $9636 (Kaul and Tomaselli-Moschovitis, 1999).

In 1990 the United Nations Development Program proposed a new method of classifying countries on the dimension of poverty, called the Human Development Index. In addition to per capita GNP, this measure seeks to measure quality of life as reflected in other critically relevant issues such as health and education. Their categories for these added dimensions are crude, however—life expectancy for health, and adult literacy for education. According to this index, 63 countries are ranked low in human development (World Resources Institute, 1994).

In order to make accurate estimates of global poverty, a common unit of measurement must be used from country to country. The World Bank uses an indicator they
call PPP-1993 Purchasing Power Parity-, which ostensibly measures the relative purchasing power of different currencies around the world, on a dollar per day basis.

The World Bank updated its estimates of the number of people living in poverty to 1996 and 1998, using 1993 Purchasing Power Parities (PPP) and household survey data (see Table 1 and Table 2).
Table 1. Population Living on Less Than $1 Per Day in Developing and Transitional Economies, Selected Years, 1987-1998

<table>
<thead>
<tr>
<th>Regions</th>
<th>Population covered by at least one survey (percent)</th>
<th>Number of people living on less than $1 a day (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and the Pacific (excluding China)</td>
<td>90.80</td>
<td>417.50</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>71.10</td>
<td>114.50</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>81.70</td>
<td>1.10</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>88.00</td>
<td>63.70</td>
</tr>
<tr>
<td>South Asia</td>
<td>52.50</td>
<td>9.30</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>97.90</td>
<td>474.40</td>
</tr>
<tr>
<td>Total (excluding China)</td>
<td>84.20</td>
<td>879.80</td>
</tr>
</tbody>
</table>

Source: www.worldbank.com
Table 2. Population Living on Less Than $2 Per Day in Developing and Transitional Economies, Selected Years, 1987-1998

<table>
<thead>
<tr>
<th>Regions</th>
<th>Population covered by at least one survey (percent)</th>
<th>Number of people living on less than $2 a day (millions)</th>
<th>1987</th>
<th>1990</th>
<th>1993</th>
<th>1996</th>
<th>1998 (est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and the Pacific</td>
<td>90.80</td>
<td></td>
<td>1,052.30</td>
<td>1,084.40</td>
<td>1,035.80</td>
<td>863.90</td>
<td>892.20</td>
</tr>
<tr>
<td>(excluding China)</td>
<td>71.10</td>
<td></td>
<td>299.90</td>
<td>284.90</td>
<td>271.60</td>
<td>236.30</td>
<td>260.10</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>81.70</td>
<td></td>
<td>16.30</td>
<td>43.80</td>
<td>79.40</td>
<td>92.70</td>
<td>92.90</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>88.00</td>
<td></td>
<td>147.60</td>
<td>167.20</td>
<td>162.20</td>
<td>179.80</td>
<td>182.90</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>52.50</td>
<td></td>
<td>65.10</td>
<td>58.70</td>
<td>61.70</td>
<td>60.60</td>
<td>62.40</td>
</tr>
<tr>
<td>South Asia</td>
<td>97.90</td>
<td></td>
<td>911.00</td>
<td>976.00</td>
<td>1,017.80</td>
<td>1,069.50</td>
<td>1,095.90</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>72.90</td>
<td></td>
<td>356.60</td>
<td>388.20</td>
<td>427.80</td>
<td>457.70</td>
<td>474.80</td>
</tr>
<tr>
<td>Total</td>
<td>88.10</td>
<td></td>
<td>2,549.00</td>
<td>2,718.40</td>
<td>2,784.80</td>
<td>2,724.10</td>
<td>2,801.00</td>
</tr>
<tr>
<td>(excluding China)</td>
<td>84.20</td>
<td></td>
<td>1,796.60</td>
<td>1,918.80</td>
<td>2,020.50</td>
<td>2,096.50</td>
<td>2,168.90</td>
</tr>
</tbody>
</table>

Source: [www.worldbank.com](http://www.worldbank.com)
There are estimates that in 1998 more than 1.2 billion people worldwide lived on consumption levels less than $1 per day, and 2.8 billion lived on less than $2 per day.

These shocking statistics actually reflect a drop from earlier estimates, indicating some progress in reducing poverty. But when compared with the life style of middle-class Americans, these cold numbers underline the fact we live in a privileged oasis from the point of view of living standard, and that we cannot forget our relative wealth is in some sense built on the backs of the poor. We benefit from the new global consumer society, but at the price of the exploitation and marginalization of the poor in faraway places. Capitalist globalization increases profits for the few, but treats the poor countries of the world as places from which to get raw materials and labor as cheaply as possible, and to which manufactured goods and services are to be sold for as much profit as possible. Thus, the perpetuation of poverty from which the relative few benefit.

While there has been much measurement and analysis of poverty from the point of view of income, its other more subtle dimensions must be studied in order to get a
realistic picture of its depth and extent. Just such an approach is being taken in preparations for the World Report on Poverty and Development, due out in the fall of 2000. Non-income indicators of poverty are being defined, data gathered, and trends assessed. The agenda includes assembling comparable and high-quality social indicators for education, health, and access to services and infrastructure. Some of the newer categories now considered relevant to constructing a multidimensional picture of global poverty are risk, vulnerability, social exclusion, and access to social capital (World Bank, 2000).
NOTES


The World Bank Group, "The Poverty Net: Culture and poverty,"


CHAPTER THREE
THE CAUSES OF POVERTY

Demographic Characteristics of the Poor

Poverty and Family Size

National samples and micro-studies typically confirm that larger household size is associated with a greater incidence of poverty. In most cases, household size and consumption or income per person is inversely related over the whole range.

Children are more likely to be poor than adults. Usually this is not because household underfeeds children, but because child/adult ratios are larger in poor households. Higher infant and child mortality (leading to even higher replacement fertility) is caused by under nutrition; and high child/adult ratios cause income poverty. Also, heavy female burdens and child poverty often go hand in hand.

Poor households are thus larger and younger; their members—particularly the youngest—are less likely to live as long as the non-poor. In Asia and Africa, infant and child mortality increase steeply with poverty. Often,
poverty is linked to high child death rates partly because it reflects the impact of low maternal education.

Gender and Poverty

Is there widespread "feminization of poverty?" In some parts of Asia and elsewhere, young females are often exposed to excess poverty-induced nutritional and health risk within households; this appears to be one factor explaining the "missing millions" of women. However, females are not generally over-represented in consumption poor households; nor are female-headed households more likely to be poor. Lack of data on intra-household distribution often clouds inferences from such studies, but even if it were true that consumption-poverty incidence is on average no greater amongst women, they are severe victims of poverty in other respects.

First, women work longer than men to achieve the same level of living. The burden of both parts of the "double-day"-market labor and domestic labor-is more severe for poor women. Female age specific participation rates increase sharply as income falls towards severe poverty; yet so do the ratios of children to adult women. There is evidence that, as women participate more in
market under pressure of poverty, their domestic labor is not substantially reassigned to men.

Second, women face a lower chance of escape from poverty, in part because women's large share of domestic commitments prevents them from seizing new and profitable work opportunities as readily as men (Haddad, 1991). Even more important than the domestic burden in explaining this poverty trap, may be cultural discrimination against female in both education and job assignments. In Taiwan, a 1978-80 survey showed that 25 percent of sons, but only 4 percent of daughters, had been apprenticed; and that, in the poorest 80 percent of families, as the number of sisters rose from 0 to 4, the mean schooling per brother rose from 6.8 to 11.4 years, indicating that girls are sacrificing prospects of independent escape from poverty to pay for brothers' prospects via education.

Third, in some cultures widows face effective barriers against employment or remarriage, and are treated as second-class citizens within the home, leading to high risks of poverty.

Thus an important way in which poverty is feminized is that male-dominated societies make the escape from poverty harder for women. This suggests that poverty is
more likely to be chronic for women, and transient for men; individual, panel data are needed to test this, though such data are rare.

Labor and Poverty

1. Participation and Employment.

As a rule, poor families depend heavily on labor income. Its quantum depends on their age structure, their age sex-specific participation rates, their prospect of employment (or self employment) when they participate, and their wage rates when they are employed. With fewer assets (and often lower wage rates) the poor will have to work more and longer to reach any given income.

2. Wages.

Wage rate is an important determinant of poverty. The evidence on the co-movement of rural poverty incidence and real agricultural wage rates is mixed; poverty has often fallen without rising real wage rates for unskilled labor. However, the lesson from these experiences is not that poverty incidence is unaffected by the real wage rate for unskilled labor, but rather that other variables can also matter greatly to the outcome for the poor. Skill, sectored shifts, rising employment, and remittance income, have been important in
explaining falling rural poverty in most poor Asian countries. And it is critical whether or not a real wage rate increase comes at the cost of higher unemployment. It cannot be presumed that an imposed wage increase will be pro-poor. Moreover, there is controversy about wage-discrimination, and the issues are far from settled. Task-specific earning differentials between genders, castes, or ethnic groups reflect differences in productivity (due to education and experience) or in work period (Lipton, 1987).

**Nutrition and Poverty**

The link between poverty and nutrition has been looked at mainly in terms of dietary food energy deficiency, relative to requirement. The poverty-nutrition link is conditioned by other variables. From household resources, the link runs to expenditures of the individual intake for normal requirements of work, growth, etc. That linkage is mediated by health. From the research of Ravillion, in 1990, income gains may have impact on nutritional for the poor (Ravallion, 1990).

**Income Variability**

Income variability has been a common concern in attempts to reduce poverty through direct intervention.
Unemployment has an affect on labor income. This is serious because the variability of employment increases with poverty, as does dependence on labor income. For example, in bad times many poor people must work for whatever they can get, so that wage-rates fall too. Since this often happens when food is dearest and disease is rampant, we can see the importance to the poor of safety nets in bad times. Times and places of low employment, wage rates, and participation, tend to overlap strongly, especially for the poorest. Also, the rural poor are more dependent than the non-poor on casual labor (which is much likelier to be laid off when the harvest is bad). Hence the rural poor seem likelier to lose income, in bad seasons or years, than the rural non-poor.

Locational Characteristics

Poverty comparisons between urban and rural areas pose a number of problems. This is partly because “urban” means different things. National “poverty lines” also vary greatly, though this is less worrying for comparisons of rural-to-urban poverty incidence ratios (RUPIRs) than of absolute levels. The problems for
comparisons are the differences of cost of living, the poverty lines, the policy, etc.

Rural poverty is marked by its common connection to agriculture and land, whereas urban poverty is more heterogeneous in how incomes are generated. A comparative study of seven Asian developing countries in the late 1980s showed that the rural poor depended more on agriculture than the rural non-poor. This has also been observed in West Africa.

No such base for anti-poverty policy is usually available in towns, with their normally much more diverse pattern of activities and problems. It is possible to focus rural anti-poverty policy on improving the amount, productivity, stability, and distribution of farm inputs, employment, and output, and their social and physical infrastructures (Lipton, 1997).

Economics

In most developing countries, the human development needs are much greater and the resources to address these needs are much smaller. In the past, many developing countries have experienced a serious economic slowdown. The government has to set priorities and make decisions about how to spend their resources. Many countries
borrowed heavily to make ends meets and to established development programs. Thus, they had to spend a large percentage of their national income just to pay the interest on their loan. In some countries, government has been drained by excessive military expenditures and corruption (world resources Institute, 1999). As the result, these countries do not give their much spending to improve their infrastructure in their countries.
NOTES

Haddad, Lawrence, "Gender and Poverty," 1991, pp. 5-16.


CHAPTER FOUR

POVERTY REDUCTION STRATEGIES

A Framework for Poverty Reduction

The poor are not a homogenous group. Just as the nature of poverty is diverse so are its causes and victims. The poor may not have acquired essential assets because they live in a remote or resource poor area; or because they are vulnerable on account of age, health, living environment, or occupation. They may be denied access to assets because they belong to an ethnic minority or a community considered socially inferior, or simply because they are female or disabled. At a broader level, poverty may stem from situations where gross inequality of assets persists because of vested interests and entrenched power structures. Finally, essential assets may not be available to the poor because of the lack of political will, inadequate governance, and inappropriate public policies and programs.

The primary responsibility for finding solutions to poverty lies with countries themselves, but success will depend on the united efforts of government and civil society, and on strong and sustained support from the
international community. Moreover, for socially inclusive
development to be achieved, a better understanding is
needed of the environmental implications of policies to
reduce poverty, and of the impacts on the poor of
environmental policies. Within this general framework,
poverty-reducing interventions can be short-term.

One more important thing is an investment. While
physical investments contribute directly to poverty
reduction, the policy and institutional environment is
also of great importance for sustainable poverty
reduction. Reducing poverty and inequality is a
humanitarian priority; it also promotes economic growth.
Experience clearly demonstrates that investments in areas
such as education, micro-finance, and health not only
have a negative impact on poverty but also stimulate
economic growth. Developing human and social capital
increases political stability, raises productivity, and
enhances international competitiveness, leading to faster
growth.

The Asian Development Bank study shows that
systematic approaches to poverty reduction are promoting
policy reforms, assisting the development of physical and
institutional capacity, and designing projects/programs to better target poverty (ADB, 1999).

Key Elements of the Framework

Pro Poor, Sustainable Economic Growth

As mentioned earlier in the Chapter 2, the pattern and stability of economic growth are factors affecting a strategy to reduce poverty (IMF, 2000). Growth increases the demand for labor, which in turn, expands economic opportunities and raised worker productivity and wages. It also expands public revenues that could be used for basic education, health care, and infrastructure.

The lesson is clear: growth can reduce poverty by generating employment and incomes, and labor-intensive growth can reduce it even faster. Thus, policies that encourage labor-intensive growth are powerful pro-poor measures. Such policies include, in particular, the removal of market-distorting interventions, such as overvalued exchanged rates, import and/or export restrictions, credit subsidies, and reliance on state-owned enterprises. Other policies that fall in this category are development of a environment conducive for the private sector, and programs aimed at increasing...
employment and income generating opportunities for women and other groups that may be outside the formal labor force. Infrastructure development can also make a considerable contribution to growth through job creation and improvement of access to economic activities and basic social services. Similarly, opportunities for self-employment by the poor must be promoted. Inflation and economic crises also have a severe impact on the poor. Consequently, sound macroeconomic management is essential for sustained reduction of poverty.

The private sector can also play a direct role in poverty reduction. It can participate in physical and social infrastructure, including provision of basic services that will benefit the poor. For the private sector to contribute more effectively to the delivery of such services, an enabling environment must be established and the financial sector developed. As the role of the private sector expands, that of the government should shift from owner and producer to facilitator and regulator (ADB, 1999).

Market-driven growth processes typically benefit richer areas. For poorer areas, public investment is generally necessary, especially in rural areas, which
generally have excess labor. Similarly, specific interventions are needed to provide the rural poor or urban unemployed with access to key services and opportunities for self-employment.

Another important way to accelerate growth is regional and sub-regional cooperation, which offers larger markets, economies of scale, and division of labor. Such cooperation is especially useful for small countries with limited options.

Environmental considerations, including natural resource management, are key elements in sustainable economic growth. Growth will be short-lived if it does not conserve the natural environment and resources. Although much of the past damage has been caused by powerful vested interest, the pressures of poverty and population compound the threat through deforestation, overgrazing, and so on. The rural poor are often forced to live in the face of increasing degradation. The urban poor are exposed to disease and illness resulting from overcrowding and polluted living conditions. Poverty reduction strategies need to be accompanied by policies and actions that enhance the quality and productivity of the environment and natural resources.
Social Safety Nets

Promoting growth and the right pattern of growth can take time and some groups of people may suffer in the transition. Various safety nets measures such as compensation schemes, social investment funds, retraining, public work programs, food subsidies, etc., are necessary to protect the vulnerable populace.

These schemes can be funded by private sources (private funds, charitable contributions), a mix of public and private sources (shared by taxation, employers, workers, workers), or public sources (general taxation). Even if governments finance the schemes, the private sector can play a part in delivering the services. Experience suggests that the private sector could play an increasing role even though this is an area traditionally reserved for the public sector (World Bank Technical Paper No. 346, 1996).

Social Development

Economic growth can effectively reduce poverty only when accompanied by a comprehensive program for social development. Just as some targeting of economic development is necessary to reach bypassed areas, so
social development must be targeted. Therefore, every country needs to have a comprehensive national poverty reduction strategy that provides for (1) Adequate budgetary allocations for human capital, (2) Targeting of basic social services to the poor, (3) Removal of gender discrimination, (4) An effective population policy, and (5) Social protection. Beyond developing human capital, the aim must be to strengthen social capital, especially for people subjected to some form of exclusion. Accordingly, targeted program will be required in five areas.

Human Capital Development

Human capital is the primary asset of the poor, and its development is of fundamental importance in the war against poverty. Every person must have access to basic education, primary health care, and other essential services. Without such access, the poor and their children will have little opportunity to improve their economic status or even to participate fully in society. It is also necessary to ensure that the relevance, quality, and quantity of education provided is designed to effectively increase participation, both in the workforce and in society at large.
Population Policy

The correlation between family size and self-perpetuating poverty is generally strong, especially in rural areas. Most countries see the need to reduce population growth to a rate where all children can be assured adequate investment in their future. To do this, a major effort is needed to enhance the quality of women’s lives by giving highest priority to (1) Ensuring universal education for girls, (2) Providing accessible reproductive health services, and (3) Increasing economic opportunities.

Social Capital Development

Social capital defines the fabric of society and strongly influences the rate of economic progress and the manner in which its benefits are distributed. In practice, strengthening the social capital of the poor largely means increasing their opportunities for participation in the workings of society. For historical reasons, social cohesion is often weak and many communities suffer from systematic social exclusion. In such cases, strong, proactive policies are required to reverse feelings of social and psychological inferiority, foster a sense of empowerment, and create genuinely
participatory institutions. The promotion of community-based groups to undertake micro-finance, health, and natural resource management is an important first step in this direction. Social capital, and a more inclusive society, can also be promoted through antidiscrimination legislation, land reform, security of property and tenure rights, legal recognition of user groups, and accessible justice systems. For ethnic minorities, special education curricula and self-managed health and other services may be necessary.

Gender and Development

In many societies, women suffer disproportionately from the burden of poverty and are systematically excluded from access to essential assets. Improving the status of women thus addresses a priority area of poverty and provides important socioeconomic returns through reduced health and welfare costs and lower fertility and maternal and infant mortality rates. Giving women voice and promoting their full participation make an important contribution to the overall development of society.

Poverty reduction programs involving microfinance, water and sanitation, and environmental restoration
consistently demonstrate the substantial benefits from ensuring the full participation of women.

Social Protection

Every society has people who are vulnerable because of age, illness, disability, and shocks from natural disasters, economic crises, or civil conflict. Social protection comprises a family in program designed to assist individuals, households, and communities to better manage risks and ensure economic security. Such programs include old age pensions, unemployment and disability insurance, and social safety nets to cushion the adverse impacts of disasters, economic crises, or civil strife. Also included are policies to improve labor mobility and the enforcement of labor standards.

Human Resources Development

One strategy to reduce poverty is to invest in people. This not only enriches people’s lives (considered an end of development in itself), but also lays a foundation for long-term economic growth (a means of development).

Both government and the private sector have roles to play in human resource development. It is useful to make
a distinction between provision and financing. The possible combinations of public and private provision and financing are demonstrated on Table 3. The table 3 shows that the private sector can function as both the financier and as the provider of social services; alternatively its activities can be restricted either to financing or to provision.

Three potential advantages associated with increasing the role of the private sector can be identified: first, the private sector may alleviate fiscal or budgetary constraints and mobilize additional resources for investing in human resources; second, the private sector may improve the efficiency of delivering social services; and third, the private sector may increase equity by releasing public resources to be targeted toward the poor.

These factors suggest reducing the role of governments in meeting the human resource needs of population groups who can afford to pay coupled with more intensive targeting of public resources toward the poor. Cost recovery strategies are especially warranted of services that do not exhibit "public-good"
characteristics and for which private demand is strong at current prices.

**Education**

Education enhances people's productivity and their potential for achieving a higher standard of living.

Table 3. Public/Private Mix in Social Service Provision and Finance

<table>
<thead>
<tr>
<th>Public Finance</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>Government funding and provision</td>
<td>Government service contracted to private providers</td>
</tr>
<tr>
<td>Private</td>
<td>Government services funded (wholly or partly) by direct user fees insurance and donor agencies</td>
<td>Private services funded Wholly or partly) by private insurance, direct, user fees, and donor agencies</td>
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</table>

Source: Adapted from WHO, 1991.

It also provides non-market benefits, such as better child health and reduced fertility. As such, it is a great antidote to poverty and a stimulant of economic growth. Yet, after decades of remarkable progress, more than a billion adults remain illiterate in the developing world and enrollment rates have remained extremely low in many countries.
The case for involving the private sector in education, like other social sectors, rests on the imperatives of: a) sustaining adequate investment in human capital in the face of tight budgets; and b) increasing efficiency and equity in the face of potential government failures.

It may be expected that the more a school depends on private financing, through fees collected from students or contributions from local communities, the more likely the school is to use resources efficiently. When people share directly in the cost of a service, they are more likely to monitor costs closely and to guard against waste. Furthermore, private financing at higher levels of education may also provide incentives for students to complete their study programs more quickly and behave more like investors in selecting their degree.

Increasing the reliance on the private sector may also enhance equity by releasing public resources to be targeted to the poor. In most countries, excess demand typically exists in higher education and sometimes also at the secondary level. Charging user fees in such circumstances may not substantially reduce demand for education but these private contributions could be used
expand access at all levels. Students from poor families could be protected by loan schemes and scholarships.

These arguments concerning efficiency and equity are supported by empirical evidence. Studies of private and public schools in Tanzania, Philippines, the Dominican Republic, Thailand, and Colombia, found that students from private schools outperform students in public schools in verbal and mathematics tests (sample selection bias and student background held constant), and that the unit costs of private schools are less than those of public schools. Moreover, data from Asia show a negative relationship between the extent of private financing and the share of cumulative public spending on education accruing to the 10 percent best-educated students in a generation.

These factors suggest a policy package composed of three elements:

- Reallocating government spending on education toward those educational levels with the highest social returns—primary education or general education—and recovering the public cost of higher education;
• Developing a credit market for education, together with selective scholarship, especially in higher education; and
• Decentralizing the management of public education and encouraging the expansion of the private and community-supported schools.

Within this policy framework, the government has an important catalytic role to play in improving the way the market for educational services works. This entails establishing complementary institutional arrangements, such as setting up national assessment systems to generate information about school performance and lifting prohibitions against non-governmental supplies of education. Governments may also provide financial and technical support to private schools if necessary. For example, the National Education Trust Fund in Tanzania, established by the government, in collaboration with the World Bank and the Norwegian government, has provided funds for private secondary schools to help meet their capital and teacher training costs.

Health

Despite marked improvements over the past decades, enormous health challenges persist. Health care systems
in many developing countries are inadequately equipped to meet these challenges. Given that health care costs account for 8 percent of total world product (and about 5 percent for the developing countries) and are rising faster than income in many cases, the immediate policy issue is better spending.

Increasing private sector involvement in the provision and financing of health care can be expected to increase efficiency by creating incentives for cost-sensitive consumer/provider behavior, for competition among providers, and for the decentralization of management structures. For example, a selective user fee policy may deter over-utilization, signal to consumers the relative importance of different types of care, and encourage the appropriate use of different levels of the health system; a dismantling of the state monopoly over drug procurement and distribution may reduce waste arising from theft and spoiling; and competition between different types of providers may create incentives to improve the quality of service provision. In addition, private sector participation may release public funds to extent cost-effective services to underserved population groups.
Promoting competition entails the following key steps:

- Encouraging the development of social or private insurance (with incentives for equitable access and cost containment) to cover clinical services outside the essential package;
- Encouraging supplies (both public and private) to compete to deliver clinical services and provide inputs, such as drugs, to publicly- and privately- financed health services; and
- Generating and disseminating information on provider performance, on essential equipment, on drugs, on the cost and effectiveness of interventions, and on the accreditation of institutions and providers.

Within this policy framework, the government’s role as coordinator, facilitator, and supervisor of private sector activities is critical to address six potential problem areas: over-provision; cost escalation; moral hazard and adverse selection; failure to promote public health and equity; attraction of professionals out of the public sector; and poor quality of private medical
practice. Government involvement may include the prohibition of certain insurance practices, the creation of incentives for cost-sensitive provider/consumer behavior (for example, capitation payments, con-insurance), training programs, tax relief for private providers located in rural areas, and the subsidization of preventive services.

Population

As a whole, the world's population is growing by about 100 million each year. Most of the population increase is concentrated in low-income countries. This poses a serious challenge to developing countries, particularly in terms of their capacity to sustain adequate investments in human capital. Slower population growth will not solve the problems, but it may reduce the pressures and provide additional time to work on solving the problems.

Governments and the private sector have important roles to play in stabilizing population growth. First, it is often argued that population stabilization is a good; therefore governments should take initiatives for providing leadership and resources to ensure access to safe services. In effect, women's health and reproductive
health services not only help women reduce the health risks from miss-timed and unwanted pregnancies, it has also been shown to be an efficient means of improving the welfare of the poor, particularly of children. For example, studies of Malaysia show that the decline in fertility between the 1970s and early 1990s was accompanied by a closing of the gap in per-child resources between the lowest and highest quintiles of families.

Second, the private sector may have a lot to offer in terms of improving the quality of services at low cost. For example, an analysis of five Peruvian family planning Non-Government Organizations (NGOs) found that they were able to deliver high quality services at considerably lower cost than the government, despite having higher administrative expenses.

Third, increasing reliance on the private sector may expand overall access to population stabilization services and allow for higher public investments in underserved areas.

Last, private sector involvement in women’s health and reproductive health services may enable governments
to keep a safe distance from politically sensitive
issues, while ensuring adequate provision of services.

These factors suggest a need to restructure the
public/private mix in the regulation of fertility. Even
though market failures and welfare considerations imply a
need for continued government involvement (for example,
markets for contraceptives and information may be flawed,
depriving groups such as the rural poor of the services
they need,) government's main responsibility is to
promote an efficient public/private mix rather than to
deliver and finance service. The three parts policy is
recommended by the World Bank:

- Ensuring that population policies are
  integrated within the country's broad set of
  social and economic goals;
- Recover costs for programs that serve those who
can afford to pay and target public resources
toward the poor; and
- Promote diversity in the delivery of women's
  health and reproductive health services
  programs.

The latter recommendation involves four key steps:
• Incorporating the private sector into strategic planning;
• Reforming laws and regulations which inhibit private sector participation;
• Promoting women's health and reproductive health services through advertising campaigns and educational programs; and
• Providing financial and technical assistance to private sector agencies.

Nutrition

Dietary deficiencies of calories, protein, vitamins and minerals are responsible for low productivity, learning disabilities, mental retardation, poor health, blindness, and premature death. The most vulnerable to these consequences are children under the age of three and pregnant and lactating women. Investments in nutrition can simultaneously eliminate the debilitating potential effects of malnutrition and allow the poor to become more productive.

Malnutrition is a disease of poverty. Hence, the public sector has a role of ensuring access to nutritional services, especially for the poor. However, as in other sectors, government monopoly over the
provision of nutrition activities can be sub-optimal in efficiency and equity terms. Many other governments have failed where the private sector has succeeded in terms of targeting resources to the most needy. Hence, actions to increase the participation of the private sector may help developing countries address malnutrition in the short and the long term.

The private sector, especially experienced NGOs and Community-Based-Organizations (CBOs), have a particularly important role to play in the implementation of projects and the delivery of services. The experience of these organizations with communities places them in a strong position to promote recipient participation and affect behavioral changes amongst the poorest groups. Indeed, the success of an early World Bank assisted project in Thailand depended largely on the participation of CBOs in the design and implementation of the project.

In terms of food procurement, there are indications that the private for-profit sector may be better equipped to deal with logistics, such as transportation, storage, and distribution. Moreover, it may be more cost-effective to design feeding programs whereby entitlements are determined through public bodies (for example, health
clinics or schools) with the actual food acquired in private markets.

A strong complementary relationship between the public and private sectors is the most effective way to reach the goal of eliminating micronutrient deficiencies and energy-protein malnutrition. Policies could ensure that:

- Nutrition programs are integrated into a broad set of economic and social programs that address both the causes and consequences of malnutrition;
- Public resources are targeted toward the most cost-effective interventions for women and children most at risk from malnutrition; and
- Complementarities are forged between the public and private sectors in the delivery and financing of services.

Within this policy framework, however, governments could establish mechanisms to facilitate and coordinate private sector activities. In the case of the for-profit sector, it could provide incentives to stimulate appropriate provider behavior. For example, legislation that requires micronutrient fortification of basic
foodstuffs such as salt could be combined with incentives to encourage compliance (such as tax relief, import licenses, loans for equipment, subsidies on fortifications, and positive press coverage). (World Bank Technical Paper No. 346, 2000).

Good Governance

The quality of governance is critical to poverty reduction. Good governance facilitates participatory, pro-poor policies as well as sound macroeconomic management. It ensures the transparent use of public funds, encourages growth of the private sector, promotes effective delivery of public services, and helps to establish the rule of law. A sound macroeconomic framework is needed to encourage efficient and productive domestic investment and to keep inflation low to protect real incomes of the poor. Likewise, it helps prevent interest and exchange rate distortions that artificially reduce the cost of capital and discourage the use of labor. Good public expenditure management is necessary for fiscal discipline, economic growth, and equity. The later is achieved through an effective, progressive tax system and adequate allocations for basic education,
primary health care, and other public services. Effective regulation and supervision of the financial sector if needed to protect depositors, enhance competition, increase efficiency, and expand availability of financial resources for all members of society. As the Asian crisis has grown, good governance is also essential to avoid, or reduce the severity of, economic crises in an era of increasing liberalization and globalization.

Since effective and efficient delivery of basic services by the public sector matters most to the poor, weak governance hurts them disproportionately. Public sector inefficiency, corruption, and waste leave insufficient resources to support the requisite level and quality of public services and targeted antipoverty programs. However, denial of basic services to the poor is not just a matter of lack of investment. Often, it is the result of (1) institutional structures that lack accountability, (2) domination by local elites, (3) widespread corruption, (4) culturally determined inequality, (5) lack of participation by the poor. Where such problems exist, systemic changes are needed to move from poor governance to government accountable to the poor. Such changes are difficult to bring about, since
existing arrangements that exclude the poor reflect prevailing economic and power inequalities. Yet unless these issues of inequality are tackled, it will be difficult to raise living standards of the poor.

Action must proceed at two levels. Public administration and expenditure management at the national level must be strengthened to promote propoor growth and social development. At the same time, responsibility for provision of public services should be devolved to the lowest appropriate level of government. Unfortunately, institutional capacity tends to be weak in local governments and there is danger of capture by local factions. Devolution may therefore have to be pursued in a phased manner, preferably starting with priorities such as basic education and primary health care. The long-term objective, however, should be to empower the poor and develop institutional arrangements that foster participation and accountability at the local level (IMF, 2000).
NOTES


CHAPTER FIVE
POVERTY IN EAST ASIA

In the past three decades, several East Asian Economies experienced rapid rates of growth. This led to the improvement in social welfare and substantial poverty reduction. Growth stimulated by macroeconomic stability, human and physical capital accumulation, openness to trade, high savings and investment rates—certainly played a central role in reducing poverty. But the most dramatic poverty declines occurred when, in addition to growth, there was a rapid expansion in the capabilities of the poor. In East Asia, this was accomplished through policies promoting skills development, improved health and education, as well as greater access to land, capital, and new technologies.

The number of poor people in the region fell by 27 percent during 1975-85, and by 34 percent in 1985-95—the fastest pace of poverty reduction in the entire developing world. In 1975, 6 out of 10 East Asians lived in poverty; 2 out of 10 do so now. The region’s most populous countries, China and Indonesia, alone held 92 percent of the region’s poor in 1975. China’s poverty incidence dropped by 63 percent, while Indonesia’s
poverty incidence fell by 82 percent. Other countries had similarly impressive achievements. Thailand’s poverty incidence fell by 90 percent from 8.1 to less than 1 percent, and Malaysia’s fall was of 95 percent (from 17.4 to less than 1 percent). Social indicators life expectancy, infant mortality, education enrollment—also improved significantly in the past two decades (World Bank, 1998).

Rising Inequality

Despite the persistence of high poverty levels in some countries—such as the Lao People’s Democratic Republic, Vietnam, and Mongolia—or among certain groups within other countries—farmers in the Philippines, residents of the north-east in Thailand—overall poverty has been in steady decline. Unfortunately, the same cannot be said of inequality. East Asia falls somewhere in the middle of a “distributional scale,” between Latin America and sub-Saharan Africa (less egalitarian) and the former socialist countries of Eastern Europe, South Asia, and high income countries (more egalitarian). In addition, inequality has risen substantially in a number
of the region's high achievers, such as China and Thailand.

The increasing dynamism of East Asian economies has sharpened the profile of the poor-poverty remains principally a rural phenomenon, affecting the farmer and the uneducated disproportionately. The surge in inequality accompanying economic growth is probably linked to two factors: an increase in the returns to higher levels of education, which drives a wedge between highly and lesser-skilled workers; and a growing spatial disparity in economic prosperity, stemming from a concentration of economic activity in certain areas. This translates into greater regional and urban/rural inequality.

The first of these trends affects predominantly the richer countries, as economic growth is accompanied by changes in the pattern of comparative advantage and a movement up the technology ladder, generally drawing on skilled labor. By focusing on education, many of the region's countries were able to provide the needed human resources for growth and prevent stretching of the wage distribution that is now beginning to occur, as the demand for skilled labor outstrips the supply. Large
pools of primary-educated workers and sufficient numbers of more highly educated ones may have contributed to this greater disparity in the returns to education. In some cases, the influx of poor migrants into the pool of unskilled labor may also have been a factor.

The second trend is observed in most East Asian countries, as growth rates differ greatly across provinces, and between rural and urban areas. In China, for example, coastal provinces and cities experienced higher rates of growth than central and western areas, resulting in higher interpersonal inequality. The evidence suggests that spatial factors have also become more important in explaining inequality in Thailand, over time.

Growing inequality is of concern: an increase in inequality is not only likely to slow down the rate of poverty reduction, but it is also damaging on its own right, given the value that East Asian societies place on social cohesion, relative income equality and parity of opportunities. Finally, inequality may hamper future economic growth through either imperfect capital markets leading to credit constraints and lower productivity or
efficient; or through increased voter support for inefficient redistribute policies.

Economic Policies and Poverty Reduction

The policies, which helped East Asia achieve its remarkable growth, also contributed to declining poverty. Growth benefited from a combination of favorable external conditions-geographic location and initial level of income- and internal policy and institutional factors, including education and health investment, prudent macroeconomic management, international engagement, effective institutions, and effective relationships between public and private sectors.

The universal provision of social services and ensuring appropriate funding are strong correlates to poverty reduction. Education is a key component in human resource development, with benefits that can be felt across all sectors. In agriculture, for example, it improves productivity by increasing the ability to adopt new technology. Similarly, it encourages movement into more profitable non-farm rural work and migration to towns for industrial and service employment. There are also indirect benefits: educated mothers are more likely
to ensure household investment in education and in health living. Measures to improve health, such as improved water and sanitation systems and the provision of basic health services through rural health centers, have a strong rationale for public action and are beneficial to the poor.

Shared rural growth also contributed to the decline of poverty in East Asia. Agriculture benefited from relatively equal land distribution, technology advances, and pro-farm public policies that supported pricing controls and provision of public goods such as roads, research and extension services. This resulted in significant rises in agricultural productivity, which, in turn, contributed to the growth of farm income. Another feature of rural income growth has been the increase in rural non-farm employment opportunities, driven by the absorption of workers from lower productivity farming, and improved rural economic infrastructure. Employment transformations were immense. In Korea, agricultural employment fell from 50 percent of the workforce in 1970 to 20 percent in the late 1980s, while in China, rural non-farm employment grew by 130 million jobs and urban employment grew by 70 million jobs from 1980-95.
East Asia's openness to the international markets gave it access to trade and technology flows with positive output and employment effects. The region also managed to avoid dualism—creation of groups of relatively highly paid workers in protected jobs—in factor markets, which further enabled relatively equitable growth. Education and modern employment interactions were instrumental in ensuring adequate supply of skilled labor as regional industries upgraded from labor-intensive toys and garments to semi-skilled electronics assembly, and to highly skilled engineering, electronics, and heavy industry (World Bank, 98/1448EAP).
NOTES

World Bank Group, "Everyone’s Miracle? Revising Poverty and Inequality In East Asia", No. 98/1448EAP.
CHAPTER SIX
A POVERTY PROFILE OF THAILAND

Until the end of the 1980s Thailand's record in poverty-reduction had been impressive, as its incidence had fallen from over 57 percent in the early 60s to about 22 percent in 1988. Complementary gains had been made in almost all the other indicators of quality of life - infant mortality, primary school completion, and life expectancy. However, this improvement slowed in the 80s, with the number of poor actually rising between 1981 and 1988. The fact of this increase in poverty coincided with economic growth, especially in the poorest regions, raised concern that the link between poverty reduction and economic growth had weakened.

Recent analysis of data from the Socio-Economic Surveys (SES) shows that the slowdown in poverty reduction during 1981-1988 was a temporary glitch in the overall decline of poverty in Thailand. According to official government poverty criteria, the incidence of poverty fell during the years 1981 to 1992 from over 22 percent to just 13 percent. The decline in number of the poor was matched by a decline in the depth and severity of their poverty.
Although the reduction in the incidence and extent of poverty occurred across the country, the decline was not uniform from region to region. By 1992 more than a fifth of the population in the Northeast and a seventh of those in the North remained poor, while, in contrast, the poverty level in Bangkok was a little over 1 percent.

The most distinctive determinant of poverty in Thailand thus depends on where one lives. In 1992 over three-quarters of Thailand's poor lived in the North and Northeast, a significantly higher per capita incidence that elsewhere. Poverty is also concentrated in rural areas: Almost 85 percent of the poor lived in the countryside in 1992, a higher proportion than in 1988.

Although poverty has declined in Thailand over the last two decades, this progress obscures some increasing inequities in the economy. A World Bank study found that inequality increased between urban and rural areas, the well and poorly educated, and among households of different socioeconomic level between 1975 and 1992. During this period the poverty rate for households headed by individuals with no education fell by 38 percent. In contrast, those households headed by people with lower elementary to junior secondary education was reduced by
60 percent, demonstrating that education is directly related to income potential (World Bank, 2000).

Level of education is one of the attributes that differed significantly between the poor and those above the poverty level. Almost all the poor came from the 85 percent of household heads with primary education or less. Occupational status also was directly correlated with poverty: almost three-quarters of the poor heads of households worked in agriculture, compared to half of those from the general population. The link between poverty and agriculture was further demonstrated by the finding that while about a third of the population worked the land, 58 percent of the poor were in such households.

The demographics of poor families are also instructive. Poor families are larger—they have on average about one more person-than the families of the non-poor. They also have higher dependency ratios.

But two factors that were not found to be predictors of poverty were the sex and age of the household head. Households headed by women were no more likely to be poor than those headed by men, which is a significant difference from many other developing countries, where females are over-represented as the heads of poor
families. The only correlation between age and poverty was the finding that a larger proportion of families headed by individuals over 60 years old are poor.

Trends in Inequality

While the overall decline in poverty is welcome, the concomitant increase in income inequality is not. Income became more skewed from region-to-region just as consistently as poverty levels fell. Whereas the Gini coefficient rose from 0.485 to 0.536 for the Kingdom as a whole, the distribution of wealth moved proportionally to the richer. The ratio of income received by the richest fifth of population compared to that of the poorest fifth increased from 12 to 15; and the relative income share of the richest tenth compared to that of the poorest tenth rose from about 21 to 28.

This is cause for worry, because it has a negative impact on poverty reduction. Had inequality not risen, the reduction in poverty from 1988 to 1992 would have been even greater. The sharp decrease in poverty that occurred despite the distribution shift only shows the strength of the effect of income growth.
This increase in inequality distinguishes Thailand from its middle-income neighbors in East Asia. If inequality increases, it could hamper prospects from sustained medium-term growth. Among the various components of income, wages, salaries, and entrepreneurial income contributed most to higher inequality. Although wage earnings, unlike entrepreneurial income, were distributed more equally, the overall effect increased inequality because the expansion of formal-sector employment occurred more among better-off households. But this inequality was not uniform across Thailand. Wider income differentials between urban and rural households, as well as by region, accounted significantly for the increase in overall income inequality (World Bank, 2000).

Causes of Poverty in Thailand

Beside all causes that we discussed in the previous chapter, Thailand has its own causes of poverty. Corruption

Corruption is a core poverty issue, not just a problem affecting high levels of government and business. In country after country, and community after community,
poor people spoke of corruption in the distribution of seeds, medicines and social assistance for the destitute and vulnerable; corruption in getting loans; corruption in getting teachers to teach; corruption in customs and border crossings; corruption in the construction of roads; corruption in getting permission to move in and out of cities or stay in certain areas; corruption in street and market trading; and corruption in identity cards. In many places, the poor reported having to pay managers, hooligans and the police “protection” money to save themselves from the worst forms of harassment, theft and abuse (World Bank, 2000).

Another form of corruption is the patronage system. The biggest hurdle impeding Thailand’s political development, its sustainable economic development, and its attainment of a genuine quality of life, is the patronage system that permeates Thai society and politics. The patronage system influences and characterizes Thai society at almost every level. It exists in the cabinet, the civil service, the armed forces, corporate boardrooms, as well as in provincial society. The links run all the way from the village to
the cabinet and supreme command and back. Policies are far less important (Santisook, 1990).

Patronage is a surviving element of the old Asian feudal system. Among the rural majority of Thailand, passive and feudal-style attitudes still largely hold sway.

In the modern context, patronage is most often linked to moneymaking through the attainment of political power. When government decisions are made on the basis of patronage, benefits are shared among a small group of people, often accompanied by corruption and disregard for the general welfare of the people. Patronage is anti-democratic. It distorts the development process. It is about paying money for the opportunity to make more money, for gaining (official) political support, and for protection. In its simplest form, patronage seems harmless: a person of status or wealth helping a less privileged person or group.

One of the most acute problems threatening Thailand's future is the political culture's inability to consistently place honest, capable, and talented people into cabinet positions. In addition, it is widely believed among analysts that most appointments of senior
government officials are based on political, financial, and electoral considerations, a manifestation of the patronage system. The problem exists throughout the government bureaucracy and state agencies.

When loyalty to a patronage network replaces the criteria of ability and expertise in appointing an agency's top management, we can expect the agency to flounder, and corruption to flourish. The losers are the Thai people and the Thai nation (Laird, 1999).

Thailand's Programs to Reduce the Poverty

The National Economic and Social Development Plan

Since the inception of the First National Economic and Social Development Plan in 1961, the emphasis has been placed on economic development. National resources and human capital have been utilized to expand the production base, occupational opportunities and national income of the country. These guidelines were appropriate for and consistent with the country's situation in the early period of national development because of the nation's abundant natural resources and excess labor supply, especially those in an agricultural sector.
National development through this means has proven successful during the past three decades. The Eighth National Economic and Social Development Plan (1997-2001) reflects many of the concerns arising from Thailand’s rapidly changing society, and shifts emphasis for the first time from a mainly economic perspective to the emerging perspective of people-center development.

In brief, the Eighth Plan (written before July 1997) states its objectives as:

1. To foster and develop the potential of all Thais, in terms of health, physical well-being, intellect, vocational skills, and ability to adapt to changing social and economic conditions.

2. To develop a stable society, strengthen family and community, support human development, improve quality of life, and promote increased community participation in national development.

3. To promote stable and sustainable economic growth and to empower the people to play a greater role in the development processes and receive a fair share of the benefits of growth.

4. To utilize, preserve, and rehabilitate the environment and natural resources in such a way
that they can play a major role in economic and social development and contribute to better quality of life for the Thai people.

5. To reform the system of public administration so as to allow greater participation of non-governmental organizations, the private sector, communities, and the general public in the process of national development.

To emphasize "the human being" as the main objective, in order to ensure development of all people in society with regard to their respective potential. They should acquire wisdom to lead national development, and participate in all dimensions therein, stressing dignity, consciousness and responsibility for society and the environment. In this regard, the development should be based on the national identity-Thai-and enjoying Thai culture (Development Guidelines).

Human development is thus the theme of the plan, especially focusing on the need to reform the education system and curriculum, and to make 12 years of compulsory education available to all Thai children. Educational reform has now become urgent for Thailand, not only to keep up with economic competitors in a globalizing
economy, but also for improvement of the quality of life and achievement of democratic aspirations (Laird, 1999).

It can be seen from the above points that people's empowerment has emerged as a major goal in the sustainable development of Thai society. This goal is also apparent in Thailand's People's Power Constitution, which was passed by parliament on September 27, 1997.

Both the Eighth Plan and the People's Power Constitution have given a new meaning to public participation and planning.

While both of the plans set out the financial and economic crisis that occurred in mid-1997 required cuts in the national budget, giving rise to calls for a revision of the plan. By 1998, emphasis was shifting back to the economic stimulation.

The Safety Net

Governmental anti-poverty programs are known as the "safety net," because in theory they prevent poor people from becoming totally vulnerable to the vicissitudes of life. In Thailand there are programs that provide cash and in-kind transfers, as well as assisting in employment. The direct subsidies include cash payments to needy families, monthly payments to the elderly who
lack other means of support, and village community funds for assisting poor residents.

The chief in-kind transfers targeted to the poor are the low-income card program, which provides free medical services to the poor, and the school lunch program for poor school-age children.

The main income-generation program is the Poverty Alleviation Project, which provides interest-free loans to poor households as seed-money for investments in income-generating activities. Apart from these programs earmarked specifically for the poor, there are also other developmental programs, part of whose rationale is their beneficial impact on the poor. For example, there is an infrastructure development program that includes a public works component aimed at providing rural infrastructure and employment generation, and a program of cash transfers that assists women and children.

Unfortunately, the level of spending on these anti-poverty efforts (including some non-targeted programs that benefit the poor) is low—about 1.6 percent of governmental expenditures between the fiscal years from 1990 to 1995. Hence the popular perception that significant and increasing resources are being dedicated
to eradicate poverty is an illusion. This modest commitment level makes it all the more critical that what programs do exist be well targeted and actually improve the welfare of the poor.

To exacerbate the problem, many of the programs in the safety net are inefficient in reaching the targeted populations, and ineffective in raising the level of welfare when they do really reach the poor. Multiple-agency schemes produce a lack of coordination, with a variety of conflicting criteria used defining who is to be served, and curing poverty may be only peripheral to their mission. To make it worse, there is little accountability for, and evaluation of, anti-poverty efforts to determine if they are really working as they are should to. Thus bureaucracy, inertia, ignorance, and inefficiencies are preventing what limited resources are being applied to the problem from having their maximum benefit.

Poverty Strategy

Rapid growth between 1988 and 1992 substantially contributed to a widespread reduction in poverty, thus benefitting particular workers in the formal and informal
sectors. Real earnings rose, and their wide distribution reduced inequality. But inequality was made worse by an increase in the share of wages in total incomes, which put those without education at a serious disadvantage. Expanding access to secondary education for poor households must therefore become a priority, as it should close the equity gap in income across groups and regions. Redistribution goals will be helped by this measure more than by regulation of labor markets, which could slow employment growth.

The reduction of child labor is a critical aspect of the fight against poverty. But in spite of a decline during the boom of the early 90s, 1.6 million children below the age of 15 did not go to school, and many are employed under harsh conditions. Since child labor and school dropout rates are related, one of the best ways to intervene would be to initiate a subsidy for secondary education attendance for the hard-core rural and urban poor—especially since most of these families cannot afford to send their kids to school. Communities and non-governmental agencies need to work together with the government to enforce regulations relating to child labor, and eliminate it where possible.
The entire approach to alleviating poverty must be rethought. Clear goals and priorities to attack poverty where it is worst must be established, with well-financed programs, and continual evaluation of their effectiveness.

Statistical System

Changes are needed in the Socio-Economic Surveys (SES), because its chronic delays in compilation and dissemination of data on poverty are hampering the clear formulation of effective policy-making. Slight changes in the questionnaires used to collect data would allow an evaluation of the relative effectiveness of public vs. private subsidies to the poor. A framework for systematic and periodic evaluations of safety net programs is also critically important. The characteristics of those receiving anti-poverty benefits should be studied for all programs, as well as repayment levels on income-generating credit, and rural public-work programs (World Bank, 2000).
NOTES

The World Bank Group, “Poverty in Thailand: Sector background,”

The World Bank Group, “Poverty Trends and Voices of the Poor, What the Poor Say,”


The World Bank Group, “Poverty in Thailand: Sector background,”
CHAPTER SEVEN

CONCLUSION AND RECOMMENDATION

As discussed earlier, the causes and characteristics of poverty differ from country to country. A comprehensive analysis of poverty in each country and in every region is in desperate need. Government officials in each country should study the findings to produce a countrywide operational strategy. When it comes to reducing poverty, it is not merely just the measurement of headcount or the proportion of a country's population whose consumption (income) level is at or below the property line.

From this point of view, there are many important issues that need to be cleared. First, we have to identify who are the poor. We must know who they are in terms of their characteristics and links to the economy. These differences would highlight the need for policy options for both economic growth and poverty reduction.

Once we know who are to be served, the second issue that we have to look at is the severity of poverty or income distribution among the poor. This is because not all of them are equally poor.
Third, effective poverty reduction will depend on the success of the macroeconomic reform program presently being undertaken in the area to generate the poor.

Fourth, poverty reduction programs must aim at removing the social barriers that prevent the poor from effectively participating in socioeconomic activity.

As we discussed earlier about the causes of poverty, most of the causes are related to the families and communities. Thus, it is important to develop a social safety net in order to strengthen families and communities. The plan should focus on the following strategies: enhancing social capital, supporting social initiatives, providing alternatives to people's education and resource management, reforming the legislative and regulatory system to facilitate participation of civil societies in community development, and improving the social welfare system.

The most important thing for reducing poverty is the cooperation of the public and the private sectors.

All these issues are the main things that can reduce all the problems, not only the problem of poverty.
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