

# Taking Action for the World's Poor and Hungry People

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## SPEAKER SUMMARY NOTE

**Session:** Asia: New Strategies, Actions, and Ways Forward to End Extreme Poverty and Hunger in Main Developing Regions

**Speaker:** *Tahlim Sudaryanto*, Director, Indonesian Center for Agro Socioeconomic Policies and Studies (ICASEPS), Indonesia

**Title:** Alleviating Poor and Hungry People through Generating Employment

### Introduction

Dealing with poverty and hunger, there are two paths out of poverty and two transition phases that should be considered (World Bank, 2006). The two paths are a shift in farming system from subsistence to commercial farming, and a shift in non-farm informal enterprises to more productive and profitable formal businesses. The two transition phases are a shift out of subsistence agriculture to petty trading and manufacturing and rural-urban migration of household members.

More specifically, in addition to exit from agriculture, Asian Development Bank (2006) proposed three strategies to assist rural household out of poverty. Those strategies are agricultural intensification and diversification, increased farm size, increase off-farm employment and income in rural area. To the rural poor, land and labor are the most important factor and had the largest impact on exit from poverty. Therefore, any strategy raising land and labor productivity has significant impact to poverty reduction.

If those strategies are successfully implemented, the immediate impact is in term of opening new employment opportunity where the poor work as paid worker or self employed. In other world, to generate more productive and remunerative employment in more systematic and sustainable manner requires the promotion of new economic activities in on-farm, off-farm, and non-farm sector. Therefore, any macro economic policies and sector policies directed toward promotion of these activities will indirectly generate more employment. However, in the short run, specific program such as cash for work program is also needed to facilitate the poor in accessing remunerative employment. In addition, from supply side perspective, it is necessary to develop program to increase quality of the poor people as laborer to enter the labor market.

### Paradigm on Poverty Alleviation and Hunger

Taking Indonesia case as an example, the currently implemented program to generate employment and alleviating poverty is mostly partial sector programs, in addition to social-safety net and unconditional cash transfer. Observation shows that the cash transfer were inadequate to significantly improve the lives of the poor. This program serves mainly as an emergency measure to relieve the poor in the very short run period.

The proposed multi-sector community development approach, based on the following principles (Rusastra, 2006): (a) acknowledge the capacity and social capital of the poor; (b) involve the poor in decision-making processes; (c) develop transparent and accountable poverty reduction activities at the community level; and (d) reposition the role of poverty reduction-related parties from development agents to community empowerment facilitators.

## **Agricultural Land-Related Policies**

Land is a key asset for the poor, and provides a foundation for economic activities and non-market institutions. Land policy address structural issues through improving economic opportunity for the poor. The challenges for land policy options are giving stronger rights for disadvantaged people, allowing transferability of land, and encouraging a rental land market. The implementation of land policy should be supported and coordinated by strong local capacity and high-level governmental institutions.

Four land-related policies are recommended for employment generation and poverty alleviation (Rusastra, 2007), namely : (a) policies dealing with improving farm and rural income through broader agricultural and rural economic development; (b) to assist the poor in accessing land resources, in addition to formal registration and titling, we should also develop the community titling, rental contracts, and informal land market; (c) to assist landless and small farmers, instead of land distribution, land allotment seems to be more feasible; and (d) for the benefit of the disadvantaged group, land policy reform should be complemented with effective rural economic development.

## **Policies to Solve Supply Constraints in Agricultural Sector**

Agricultural performance has been trapped in persistently low and decelerating growth rate (Simatupang et.al., 2004). This is really an alarming problem that endangers the livelihood of those in the poorest segment of the population. The major constraints are persistent decreasing land size and yield of agricultural commodities. The root causes include both of natural factors and policy or market failures. The policy related factors include declining of government investment on public infrastructure (irrigation, rural road, opening new land, etc) research and development, extension, and farming incentives.

The agricultural supply constraints can only be tackled through completely reversing the previous government policy direction, namely: (a) increase government expenditure on rural infrastructure, research and development, and extension significantly; (b) provide incentives for private investment in the critically important agricultural infrastructure development; (c) research and development reform to facilitate private sector participation in both technology generation and dissemination; (d) provide appropriate farming incentives in the spirit of market failure correction; and (e) promote labor intensive rural industry development to provide employment alternative to rural labor.

## **Policies and Program to Broaden Rural Economy**

In order to mainstream informal employment and promote gender equality, the following aspects should be taken into account (Chen et.al., 2004): (a) promote opportunities for both the self-employed and informal wage workers through integrating microfinance service provisions, skill training, improved technologies and other business development services; (b) secure rights for self-employed, especially access to credit and other resources, as well as to create equitable policies for formal and informal enterprises; (c) protect informal workers through extending the existing insurance schemes; (d) raise the "voice" of informal workers through strengthening their organizations and representation in relevant policy-making institutions; and (e) be sensitive to gender issues and considering woman workers who tend to earn less, have weak social protection and need more policy support.

Four key areas of policy support should be considered to legally empower the poor and help them out of poverty (Singh, 2006), namely: (a) improved access to formal justice systems and rule of law; (b) develop a system of rights to protect their assets, to build trust, encourage access to credit and markets and raise productivity; (c) formulate labor rights to encourage the poor to move to the formal labor system; and (d) acknowledge and encourage the entrepreneurial skills of the poor.

Trade liberalization will generate negative impacts to the poor farmers living in remote areas and those cultivating protected commodities with low comparative advantage. Five policies are suggested to ensure that trade reform benefit the poor (Wilson Center, 2006), namely: (a) generate complementary measures to motivate a fair, open, rules-based trade system; (b) increase global export share of

developing countries to promote a transfer of resources as a result of gains from trade; (c) stabilize the price of exported commodities; (d) develop human resources generally; and (e) make trade a part of the overall agenda for economic growth and poverty reduction.

Looking at smallholder development for growth and equity, a contemporary agenda could have three central elements (Hazell et al., 2007), namely : (a) ensure macro economic stability and the state funding on agricultural and rural infrastructure (physical and institutional); (b) encourage farmers to follow demand and to improve marketing systems in order to enable them to receive a greater share of market price; and (c) initiate institutional innovations in the provision of input and services for the benefit of small farmers. Successful intervention on behalf of small farm-led agricultural development requires that governments have the interest and capacity to mobilize the needed support.

Some lessons learnt from various project related to poverty alleviation are: (a) the program targeted directly to the poorest segment of the poor; (b) start with capacity building of poor household; (c) develop and strengthen farmer group; (d) secure fund to finance initial investment on revolving basis, not fully grant.

### **Cash for Work Program**

More systematic policies and program to generate employment will likely show greater impact and more sustainable in nature. However, this type of program generally takes longer time to implement and show the intended impact. While participating in the longer term program, poor household need immediate employment opportunity as source of income. Therefore, as part of a safety net scheme, government needs to implement cash for work program. Government allocate budget to finance activity such as rehabilitation of rural road, irrigation canal, and other public infrastructures involving poor household. In return, they receive remuneration in accordance or close to market wage rate.

### **Human Resource Development**

The increase on demand for labor brought about by expanding economic activity, at the same time should be complemented by improvement the quality of poor human resources. Although the newly created economic activities are those should be accessible by poor people, in most cases any activity requires certain quality of labor. To align supply and demand side of labor, it is necessary to develop the available labor force to meet the stated requirement. This is primarily set up in the form of tailor-made informal training involving government and private sector.